

The complaint

Mr F complains about the amount Mulsanne Insurance Company Limited offered to settle his claim for his stolen van on his commercial vehicle insurance policy.

What happened

Mr F's van was stolen from outside of his home. Mulsanne reviewed the claim and accepted it. It offered Mr F £6,000 as the market value of his van in settlement of his claim. Mr F said this value was too low and that it would cost around £10,000 to replace his van, he also provided Mulsanne with adverts to support a higher valuation.

Mulsanne reviewed the valuation and increased it to £6,960. Mr F still didn't think this was enough and complained. Mulsanne reviewed the adverts Mr F had provided and didn't think they were like for like as the mileage of the vans advertised were lower than the mileage of Mr F's van. Unhappy with Mulsanne's response, Mr F referred his complaint here.

Our investigator reviewed the complaint and found that as Mr F wasn't VAT registered then he wouldn't be able to recover VAT when buying a new van. She didn't think Mulsanne had taken this into consideration when valuing Mr F's van. So, she recommended it increase its valuation to include VAT and asked Mulsanne to pay £150 compensation for delays in handling the claim.

Mulsanne accepted our Investigator's view that VAT should be included but later said it had already included VAT, so it did not agree to pay anything further. It said the valuation it had obtained from using valuation guides was £5,800 plus VAT which brought it to £6,960 which it had ultimately offered. Mulsanne also provided an advert to support its valuation. Our investigator explained that she thought the valuation was £6,960 plus VAT. Mulsanne didn't agree.

I issued a provisional decision on this complaint on 12 January 2024 where I said:

"The terms and conditions of Mr F's policy say that if Mulsanne deem his van a total loss, it will pay him the market value. It defines market value as "The cost of replacing your insured vehicle with one of similar type, age, and/or condition at the time of the loss as assessed by us."

Our service doesn't value vans. Instead we check to see that the insurer's valuation is fair and reasonable and in line with the terms and conditions of the policy. To do this we tend to use relevant trade guides. I usually find these persuasive as they're based on nationwide research of sales prices.

I've reviewed the four valuations guides we use and only three of them gave a value for Mr F's van. The valuations given are, £8,328 including VAT, £6,275 not including VAT and £5,225 not including VAT. When VAT is added to the two valuation guides which don't include VAT it brings those valuations to £6,270 and £7,530.

When Mulsanne valued Mr F's van it said the valuation of £6,960 included VAT. It also provided one advert for a van which it said was similar which is £5,900 plus VAT. This would

mean the comparable value for the advert is £7,080 including VAT. Mr F also provided adverts to Mulsanne which he said showed the value should be £9,996. While I can see Mulsanne was able to review the adverts, I'm unable to see the details of them as they've not been provided. I therefore can't to say whether they were comparable. I can see Mulsanne didn't think the adverts Mr F provided were comparable due to having lower mileage than his van.

Having looked at all the evidence provided I'm not satisfied Mulsanne has done enough to show the fair market value of Mr F's van is £6,960 including VAT. I say this because while it has provided one advert to support this, the advert does have a higher value than Mulsanne offered, albeit not much higher. Also, when looking at all the valuations given by the guides they range from £6,270 to £8,328 including VAT and, while there is one advert supporting Mulsanne's valuation at the lower end of the guides, I also need to consider that particular advert could be priced low for a reason. I'm therefore not persuaded Mulsanne has done enough to show the market value of Mr F's van is £6,960. I'm also more persuaded that the highest guide value is the fairest valuation for Mr F's van. I say this because by Mulsanne paying Mr F £8,328, the valuation produced by the highest guide, means he should be able to replace his van with an equivalent, whereas with the lower value I'm not satisfied he can.

Mr F has also complained about the length of time the claim has taken and about not receiving an interim payment. He's said he had to buy a replacement van which now needs work on it, I understand this is frustrating for Mr F. However, I also need to consider that if he'd kept his own van then that would also have running costs and could potentially need work. I do, however, acknowledge he's been without the money and so to compensate him for this Mulsanne should add 8% simple interest per year to the settlement, calculated from one month after the claim until the date of settlement to compensate Mr F for not having the money.

I've also acknowledged that Mr F has had to argue about the total loss settlement with Mulsanne and this has gone on for several months. This has clearly caused him unnecessary distress and inconvenience that he shouldn't have had. To compensate him for this Mulsanne also needs to pay Mr F £300 compensation."

Mulsanne responded and said it would carry out the intended directions in my provisional decision. Mr F responded and accepted the outcome to his valuation complaint but didn't agree the £300 compensation was enough. He said the claim had been ongoing for over a year since the initial £150 compensation was offered and didn't think the additional compensation went far enough. He said he'd been paying road tax and finance on his stolen van and had been for the last 16 months.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've considered Mr F's points about the compensation, but I'm not persuaded to depart from the findings in my provisional decision. I say this because the £300 compensation for distress and inconvenience. I understand Mr F has been without the money from his claim for his stolen van, and this has meant he's had to continue to pay the finance and road tax. I feel it would help explain that when there is finance on a van, an insurer normally pays the finance off first and then pays any remainder from the market value to the policyholder. So by Mr F continuing pay the finance means that the settlement amount on the finance will be less than if the claim had been paid at time of the loss. This in turn means the amount Mulsanne would then pay to Mr F is higher and this amount will also have 8% compensation added to it. I'm therefore satisfied that by Mulsanne adding 8% compensation to the amount

it pays, fairly compensates Mr F for having to pay the finance for longer than he needed.

In response to Mr F's point about road tax, as his van had been reported stolen, he would need to raise any concerns about the road tax with the relevant department for road tax queries. I understand Mr F doesn't think the compensation goes far enough, due to the issues he's had. However, for the reasons explained above, and in my provisional decision, I'm satisfied by Mulsanne adding 8% simple interest to the amount it pays for the market value for his financial loss, plus paying Mr F £300 for the unnecessary distress and inconvenience is fair and reasonable compensation in the circumstances.

My final decision

For the reasons explained above and in my provisional decision, my final decision is that I uphold this complaint. I require Mulsanne Insurance Company Limited to:

1. Pay Mr F £8,328 including VAT as the market value of his van, minus any applicable policy excess. It should add 8% simple interest per year to the amount it pays, calculated from one month after the date of claim until the date of settlement.
2. Pay Mr F £300 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 15 March 2024.

Alex Newman
Ombudsman