

The complaint

Mr D complains about the settlement he's been offered by Society of Lloyd's (SoL) following a claim made under his commercial motor insurance policy.

Where I've referred to SoL, this includes the underwriting syndicate which actually provides the cover under Mr D's policy.

What happened

Mr D has a commercial motor insurance policy with a SoL syndicate. This covers several vehicles used by Mr D for his business.

In October 2022 a tipper truck insured under the policy was stolen, so Mr D made a claim. The claim was accepted, and Mr D was offered £2,600 for the vehicle as a total loss settlement. However, Mr D didn't think this was sufficient.

The valuation was considered by an engineer and the settlement offer increased to £3,000 (before excess deduction). Alongside the total loss settlement, Mr D was also offered £397.15 for contents that were in the vehicle at the time of loss.

As Mr D was unhappy with the total loss settlement, he approached this service.

When the case came to us, SoL offered to increase the contents settlement by £76.15, and to pay an additional £50 compensation. This was on the basis that they had reviewed the contents deductions for wear and tear made previously and didn't think this was fair.

One of our investigators looked into the valuation part of the complaint and initially upheld it. She took into account an alternative trade guide to that used by SoL, and this produced a higher valuation of £4,223. She said SoL should pay this in settlement of the claim, less the excess, along with 8% simple interest from one month from when the claim was made.

SoL didn't agree and resent information showing the valuation they'd obtained when offering settlement, which included the valuation obtained from an engineer. The investigator revisited things and didn't recommend SoL do anything further. She said she thought SoL had offered a fair settlement for Mr D's vehicle.

Mr D didn't agree and asked for a final decision from an ombudsman.

I reached a different outcome to our investigator, so I issued a provisional decision to give both parties an opportunity to comment on my initial findings before I reached my final decision.

What I provisionally decided – and why

In my provisional decision, I said:

"I've considered all the available evidence and arguments to decide what's fair and

reasonable in the circumstances of this complaint.

I'm minded to reach a different outcome to our investigator. Therefore, I'm issuing a provisional decision, to give both parties an opportunity to comment on my initial findings before I reach my final decision.

Before I consider the vehicle valuation, which is the main part of Mr D's complaint, I understand that Mr D was originally offered £397.15 for contents items, after a reduction of £76.15 for wear and tear.

However, after the case came to us, SoL made an increased offer of an additional £76.15 to cover the full value of the content's items claimed for. This was on the basis they didn't think applying the deduction was fair. SoL also offered a further £50 compensation for this. I think this increase and compensation is reasonable, so I won't be directing SoL to do anything further in relation to the contents part of the claim.

I'll now go on to consider the vehicle valuation part of Mr D's complaint.

Mr D has said his vehicle value was declared as £6,000 on his policy so he has questioned why he hasn't received that amount in settlement of his claim. However, Mr D's policy outlines that in the event of claim, the most SoL will pay is the market value of the vehicle, less the applicable excess.

Market value is defined as:

"Market value - the cost of replacing your vehicle with another one of the same make, model and specification and of similar age, mileage and condition at the time of an accident or loss"

Therefore, it isn't an agreed value policy which pays what is listed on the schedule. Instead, the settlement is based on the market value, which is common for vehicle insurance policies across the insurance market.

SoL initially calculated the market value as £2,600 (before excess deduction). When determining this, they relied on a valuation provided by CAP, which is a motor trade guide. However, as Mr D was unhappy with this, it was referred by SoL to a motor engineer for review. The engineer said the market value should be increased to £3,000 (before excess deduction).

Mr D doesn't think this is a fair settlement. He says that based on adverts of similar vehicles for sale, the settlement should be £6,000 or higher.

Valuing a vehicle isn't an exact science. When considering disputes about vehicle valuations, as a starting point, we'd take into account what the different industry trade guides say the market valuation of a vehicle is. We'd also take into account any other available information.

The guides we use as a starting point are CAP, Glass's, Autotrader and Percayso. And we'd consider the safest way to ensure a consumer receives the correct replacement cost (market value) is to make sure the insurer basis its settlement on the highest one. Or – if it doesn't – make sure the insurer has provided evidence to show a valuation lower than this is fair.

Due to the type, age and mileage of Mr D's vehicle, the only other trade guide our investigator was able to obtain a valuation from was Percayso, which gave a value of £4,223. So, SoL has offered a lower amount than the highest of the available trade guides (including after increase following engineer review). So, to say this is fair, I'd need to be persuaded the evidence SoL provided supports that.

Mr D has provided adverts of similar vehicles for sale at a considerably higher cost. However, I don't think these can reasonably be used to determine the market value of Mr D's vehicle. This is because they have variations such as different mileage, different body types and age.

I've also carried out my own research to see if there are any similar vehicles available for sale, albeit this is currently, around 18 months after the claim, so this wouldn't give an accurate market value for Mr D's vehicle at the time of loss. But in any event, there were very limited similar vehicles for sale, as they all also had variations too. So, I also wasn't able to find what would be a reasonable comparison based on what's currently for sale.

SoL obtained the increased valuation of £3,000 from a motor engineer. As I've outlined, for a fair settlement to be below the highest trade guide, the insurer would need to evidence a valuation lower than this is fair. However, I'm not persuaded at this stage SoL has done that.

SoL referred the valuation to the engineer, and they returned a valuation of £3,000. But they haven't provided anything which demonstrates how or why they reached that conclusion, or why this is a fairer amount than the highest of the trade guides. In fact, they also said:

"My valuation takes into account average condition as no info or images to determine otherwise."

It seems the engineer reached this valuation based on limited information of make, model and mileage. And those same factors have produced a higher valuation using Percayso.

Like I say, valuing a vehicle isn't an exact science, and here there are limited vehicles of this make and model, with similar mileage, available as a comparison. But having considered everything, nothing currently provided persuades me that the engineers valuation is fairer than the higher valuation returned by Percayso, which is the only other trade guide which has produced a valuation.

So, unless anything provided in response to my provisional decision changes things, I'll be directing SoL to increase the total loss settlement to £4,223 less the policy excess.

When the investigator previously recommended this, SoL responded and said it wasn't clear whether VAT should be deducted from that amount as Mr D is VAT registered. However, to confirm, this valuation from Percayso excludes VAT. So, VAT wouldn't need to be deducted from that figure.

By offering a lower settlement, Mr D has been denied funds which he otherwise should have had. With this in mind, unless anything changes as a result of the responses to my provisional decision, I'm also minded to direct SoL to add 8% simple interest to the additional settlement amount from the date of the original (increased) settlement offer to the date of settlement of the remainder."

So, I was minded to uphold the complaint and to direct SoL to:

- Increase the total loss settlement to £4,223 (less the policy excess)
- Add 8% simple interest to the additional payment due from date of the original (increased) offer to the date of payment of the remainder
- Pay the increased contents settlement of £76.15 (if it hasn't already been paid)
- Pay the additional £50 compensation offered (if it hasn't already been paid)

The responses to my provisional decision

Mr D responded and said he agreed with the provisional decision, but he also clarified that he wasn't actually VAT registered.

SoL were updated that Mr D wasn't VAT registered, and therefore VAT would need to be added to the settlement amount as the valuation had VAT deducted. SoL responded to confirm the underwriters had agreed to the recommendations and added VAT.

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.

And I've thought carefully about the provisional decision I reached and the responses to it. As neither party has provided anything that would lead me to reach a different conclusion, my final decision remains the same as my provisional decision (with the later addition of VAT), and for the same reasons.

My final decision

It's my final decision that I uphold this complaint and direct Society of Lloyd's to:

- Increase the total loss settlement to £4,223 (less the policy excess)
- Add VAT to the settlement amount
- Add 8% simple interest* to the additional payment due from date of the original (increased) offer to the date of payment of the remainder
- Pay the increased contents settlement of £76.15 (if it hasn't already been paid)
- Pay the additional £50 compensation offered (if it hasn't already been paid)

* If Society of Lloyd's considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr D how much it's taken off. It should also give Mr D a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 10 May 2024.

Callum Milne
Ombudsman