

## **The complaint**

B, a limited company, complains about the settlement it's been offered by U K Insurance Limited (UKI) following a claim under its commercial motor fleet insurance policy.

B is being represented in this complaint by its director.

## **What happened**

B has a commercial motor fleet insurance policy underwritten by UKI. The policy covers five vehicles used by B for its business.

One of the van's insured under the policy was stolen. The van was recovered, but due to the damage, it was written off by UKI. In settlement of the claim, UKI offered £11,847 (before deduction of the £250 excess and £692.49 for outstanding finance) which it said was the market value of the van.

B was unhappy with the settlement offer from UKI and provided examples of similar vehicles for sale at a much higher amount than it had been offered.

UKI maintained the settlement offer was fair, so B approached the Financial Ombudsman Service.

One of our investigators looked into things and upheld the complaint. She noted that when determining the market value of B's vehicle, UKI had relied on an average of two motor trade guides which totalled £11,847. She also noted UKI had referred the valuation to an engineer who agreed with it.

The investigator checked an additional trade guide, and this provided a higher valuation than that offered by UKI. She also considered adverts B had provided of similar vehicles for sale which were broadly in line with the higher valuation guide. So, the investigator didn't think what UKI had offered was fair and she recommended UKI increase the settlement to the highest of the trade guides, £17,125 (before the relevant excess and finance deduction's).

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

## **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.

Having done so, I've reached the same outcome as our investigator.

B's van was deemed a total loss by UKI following the theft. The terms of B's policy outline that in the event of a claim, the most UKI will pay is up to the market value (less relevant deductions such as the excess).

Market value isn't defined in the policy. But we'd usually take that to mean the price the policyholder would have had to pay for a comparable vehicle across the various markets, immediately before the time of the damage or loss.

UKI calculated the market value as £11,847. When determining this, they relied on trade guides CAP and Glass's. These gave valuations of £12,095 and £11,598 respectively. UKI averaged the two of these guides to reach the settlement offer of £11,847, which they say is a fair market value.

B doesn't think this is a fair settlement based on adverts of similar vehicles for sale, as it says this isn't sufficient to replace the vehicle. The adverts B provided ranged from £16,000 to £19,000.

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 policyholder receives the correct replacement cost (market value) is to make sure the insurer bases 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.

When offering settlement, UKI relied on an average of CAP and Glass's. It also appears that UKI did check Percayso too, which gave a valuation of £16,559, but they didn't include that within their offer (or average calculation), and they discounted it entirely.

Our investigator also checked Percayso and attempted to check Autotrader. Percayso produced a valuation of £17,125, but Autotrader was unable to provide a valuation. Our investigator recommended UKI should increase the settlement in line with the highest of the trade guides to £17,125 (before the relevant excess and finance deduction's).

As outlined, valuing a vehicle isn't an exact science. To be persuaded that a lower valuation than that produced by the highest of the trade guides is a fair reflection of the market value, I'd need to be satisfied that the evidence provided by UKI supported that.

However, UKI hasn't provided sufficient evidence which persuades me this is the case. UKI hasn't provided any adverts of similar vehicles for sale at or around the amount they offered as a market value settlement, or anything to demonstrate why a lower value is fairer. By contrast, B has provided several adverts for similar vehicles in line with that of the highest of the trade guides, so in the absence of evidence to demonstrate otherwise, I find that valuation persuasive as a fair reflection of the market value.

As I'm not persuaded UKI has demonstrated a lower valuation is fair, I'm directing UKI to increase the settlement to £17,125 (before the relevant excess and finance deduction's) which is in line with the highest of the trade guides. As B has been deprived of funds it otherwise should have had, in line with our usual approach, I'm also directing UKI to add 8% simple interest to the additional settlement amount due from the date of the previous settlement offer to the date of payment of the remainder.

### **My final decision**

It's my final decision that I uphold this complaint and direct U K Insurance Limited to:

- Increase the total loss settlement to £17,125 (before the relevant excess and finance deduction's) and pay B the further amount due as a result of this.
- Add 8% simple interest\* to the additional settlement amount due from the date of the previous settlement offer to date of payment of the remainder.

\* If U K Insurance Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell B how much it's taken off. It should also give B a tax deduction certificate if it asks for one, so it can reclaim the tax from HM Revenue & Customs if appropriate.

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

Callum Milne  
**Ombudsman**