DRN-4833056

Financial Ombudsman Service
for small businesses

The complaint

A complains about a claim it made on its fleet policy with Allianz Insurance Plc after one of its vans was involved in an accident.

What happened

A held a small fleet policy with Allianz. After one of its vehicles was involved in accident, it made a claim for the damage caused. Allianz accepted the claim and decided the van was uneconomical to repair. It wrote the vehicle off, deeming it a total loss and offered A a settlement of £3,500 which it said represented the market value of the van.

A didn't think this offer was fair and complained to Allianz. It also complained about delays in settling the claim. Allianz didn't change its stance; it said the offer was fair based on the market value for A's van. It said it had found a comparable vehicle for sale and noted A's van was a previously write off vehicle which had damage predating the accident.

A disagreed and brought its complaint to us. One of our Investigators recommended it be upheld. They thought Allianz needed to increase its offer to be more in line with a higher valuation guide. He thought the deductions from the guide were fair and said Allianz should pay £5,028.40 to settle the claim. He also said Allianz needed to pay 8% simple interest on this amount.

Our Investigator thought there were delays and acknowledged Allianz could have progressed things quicker and made an interim payment sooner, but he thought A also could have done more to progress the claim. He recommended Allianz pay £250 compensation for the inconvenience caused.

Allianz didn't agree and asked for an Ombudsman's decision, so, the case has come to me.

I issued a provisional decision in which I said I was thinking of upholding this complaint. That decision said:

- *A's policy with Allianz says the most it will pay for any claim is the market value or the last value declared to it. I've not been provided anything to show what the value declared was. But even so, I think the fairest thing to do would be to pay the market value of the van.*

- *The policy defines market value as "The cost of replacing the Insured Vehicle with one of similar make, model, specification and condition."*

- *Allianz thinks £3,500 is a fair representation of the market value of A's van. It says this is because it's used a reliable valuation guide which valued the van at £5,225, and an advert for a comparable van listed at £5,155. It said the van had previous damage not caused in the incident which reduced it's value by £725. And it said because A's van was a previously written off vehicle, it deducted 20% of the value.*

- *I'm not persuaded that's fair. We used another guide which valued the van at £7,223.*

I appreciate Allianz says this guide isn't as reliable as the guide it used. But it's not provided anything persuasive to support that. I note it's provided an advert, and that that advert has less mileage than A's vehicle, but ultimately, it's just one advert.

- *Our approach is that if an insurer wants to settle a claim at less than the highest guide, it needs to evidence that's the fair thing to do. And I'm not persuaded Allianz has done that here.*
- *So, with that in mind, I think the starting point is the highest valuation provided by the guides - £7,223. I'm aware other adverts have been provided, but I don't find these persuasive based on the type of van and the mileage travelled.*
- *Turning to the deduction made from the guides based on pre-existing damage and the fact the van was previously written off, I'm not persuaded the latter is fair.*
- *The deduction for pre-existing damage I'm satisfied is fair. We'd usually expect to see details of how much this damage would cost to fix, but that's not been provided here. But, Allianz has detailed what the damage is and the likely cost to repair it. Because that's significantly more than the £725 it deducted, I'm satisfied that's fair.*
- *Allianz hasn't provided any evidence to support the 20% deduction, so I'm not satisfied that's fair.*
- *Therefore, Allianz should settle the claim on the basis that the market value for A's van is £6,498. Which equates to the highest valuation produced by the guides, minus £725 for pre-existing damage.*
- *Like our Investigator I also think an interim payment could have been made earlier and not doing so has caused inconvenience. But Allianz was waiting for a response from A for a number of months. So, like our Investigator, I'm not persuaded A did all it could to mitigate its losses. That said, the delay has undoubtedly caused inconvenience, and for that Allianz should pay it £250. Allianz should also pay interest on the original settlement offer – because had it made it clearer this could be accepted and a dispute still pursued, I think A would have taken that payment.*

To put things right I said I was thinking of requiring Allianz to:

- *Settle A's claim on the basis that the vehicle's market value is £6,498.*
- *8% simple interest per annum should be added to the difference between this settlement amount and the amount Allianz initially settled the claim for. Interest should be calculated from the date Allianz made that offer, to the date it pays this settlement.*
- *An amount equal to 8% simple interest per annum on the original offer should also be paid to A. This should be calculated from the date the offer was made, to the date any payment of this claim was made to A.*
- *Pay A £250 compensation for the inconvenience caused.*

Following this decision, A had no further comment.

Allianz accepted the decision but challenged the 20% deduction being unfair.

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.

Because both sides haven't added anything further, I see no reason to depart from the outcome or reasoning set out in my provisional decision outlined above.

I'll explain further why I find the 20% deduction unfair in this case though.

Allianz has said the vehicle being a previous total loss will affect its value, and that may well be the case. But it's for Allianz to evidence what effect the previous total loss has on the vehicle in question.

This can vary from vehicle to vehicle. For example, a previously written off year old van is likely to be worth significantly less than one that wasn't written off. That same percentage deduction might not be fair on a van that's 15 years old. The category of the write off and the type of damage may also be a factor in how much less a written off vehicle is worth in comparison to ones that haven't been written off.

Allianz were asked to evidence why they thought a 20% deduction was fair in this case. It said it was our service's approach and a nationally recognised and accepted adjustment. When asked to support the latter statement, Allianz didn't provide anything further.

To explain, our approach used to be that a deduction of *up to* 20% might be a reasonable deduction. But our approach now is that any deduction should be evidenced as being fair. Therefore, because no evidence was provided, Allianz hasn't shown that any deduction is fair. So, it's not fair it makes one.

My final decision

For the reasons set out above I uphold this complaint. To put things right I require Allianz Insurance Plc to:

- Settle A's claim on the basis that the vehicle's market value is £6,498.
- 8% simple interest per annum should be added to the difference between this settlement amount and the amount Allianz initially settled the claim for. Interest should be calculated from the date Allianz made that offer, to the date it pays this settlement.
- An amount equal to 8% simple interest per annum on the original offer should also be paid to A. This should be calculated from the date the offer was made, to the date any payment of this claim was made to A.
- Pay A £250 compensation for the inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask A to accept or reject my decision before 5 July 2024.

Joe Thornley
Ombudsman