

The complaint

Mr B complains about the settlement Watford Insurance Company Europe Limited (WIC) paid following the theft of his vehicle, under his Commercial Vehicle Insurance policy.

What happened

The details of this complaint are well known to both parties, so I will not repeat them in full here.

To briefly summarise, Mr B held a Commercial Vehicle Insurance policy. In May 2024, he made a claim on his policy following the theft of his vehicle.

When WIC looked to settle the claim, it offered Mr B what it believed to be the market value of his vehicle. But Mr B wasn't happy about the offer made so he complained to WIC.

WIC looked to value Mr B's vehicle after it was stolen by looking at three of the various trade valuation guides in order to gauge the market value of his vehicle. The guides WIC looked at produced the following valuations – £7,657, £5,935 and £5,932. WIC said the higher valuation was an outlier, so it was discounted. WIC eventually offered Mr B £5,933.50 for his vehicle which was the average of the two remaining valuations it found. Mr B wasn't happy with WIC's offer as he thought his vehicle was worth more, so he complained to the Ombudsman Service.

Our Investigator upheld Mr B's complaint. He looked at four of the motor trade valuation guides available to the Ombudsman Service, but only two gave a valuation for Mr B's vehicle. In the circumstances, he thought that as WIC had obtained their valuations accurately and closer to the point of loss than the Ombudsman Service, it was reasonable to rely on the valuations WIC obtained when thinking about the market value. Our Investigator also considered the two sale adverts provided by WIC but he said he wasn't persuaded by them. He said the vehicle mileage wasn't the same and he was more persuaded by the motor trade valuation guides which are based on extensive nationwide research.

Our Investigator said the fairest thing to do in this instance was to pay Mr B the highest of the motor trade valuations WIC found, £7,657. He didn't think WIC had provided sufficient evidence to show that a lower valuation was fair.

WIC initially accepted our Investigator's findings, and the offer was also accepted by Mr B. But WIC later changed its mind and said it didn't agree anymore, so the matter has been passed to me to decide.

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 agree that this complaint should be upheld. I'll explain why.

Mr B's policy covers him for the market value of his vehicle, at the time of loss – which is fairly standard within the motor insurance industry.

Market value is defined in the policy as:

“The retail Market Value based on current industry standard guides for purchasing, or replacing, the insured vehicle with one of the same make, model, age, trim level, recorded mileage and being in a similar condition. These guides are motor trade publications, recognised and used extensively throughout the motor vehicle industry to value new/used vehicles. We will consider motor trade publications such as, but not limited to CAP (CAP Motor Research Ltd), Parkers Guide, Cazoo or Glasses Guide.”

The Ombudsman Service doesn't provide valuations for vehicles but rather we look to see whether the insurer's offer is reasonable. In assessing whether a reasonable offer has been made, we obtain valuations from the motor trade guides.

These guides are used for valuing second-hand vehicles. We find these guides to be persuasive because their valuations are based on nationwide research and likely sales figures. The guides also consider regional variations. We also take all other available evidence into account, for example, engineer's reports and sale adverts for comparable vehicles on the market.

WIC obtained three valuations for Mr B's vehicle - £7,657, £5,935 and £5,932. I'm satisfied that the valuations it obtained were based on correct information about Mr B's vehicle. WIC said it discounted the higher valuation because it was an outlier. We don't discount a guide because the valuation is higher than others unless there is something to suggest it's wrong. I haven't seen anything to suggest that's the case here so I don't think WIC should discount the higher valuation.

We referred to four of the industry motor trade valuation guides. Two of these couldn't provide a valuation. The remaining two gave valuations of £4,995 and £6,957.

The approach our service takes in these circumstances is that the insurer needs to effectively demonstrate that the offer it has made is enough to allow the consumer to purchase a replacement vehicle. And where an insurer offers lower than the highest trade guide valuation, it needs to evidence that it is fair to do so. Where an insurer hasn't provided enough evidence to justify a lower value being offered, we will ask them to pay the highest value.

The highest valuation we obtained was also from one of the same guides WIC had used. We didn't however obtain as many results as WIC. This may be due to the time which has now passed. Like our Investigator, I consider it reasonable to go with the search results WIC found when thinking about the market value of Mr B's vehicle. I say this because WIC's searches were closest to the point of loss, and I'm satisfied that it used accurate details to carry out its searches.

As I said above, our approach is to go with the highest value unless WIC can show its offer was fair. This is to avoid any detriment to Mr B and to ensure he can reasonably replace his vehicle with the settlement amount.

I note that WIC provided two sale adverts. We do take advertisements into consideration when thinking about a fair market value and whether a consumer can purchase a vehicle

with the amount offered. However, I don't think two adverts alone support that the valuation offered by WIC is a fair market value. I'm not satisfied that this is either sufficient or persuasive enough to demonstrate that Mr B would be able to purchase a replacement vehicle with the amount offered by WIC. And in any event, as the Investigator has pointed out, the mileage is also between 7,000 to 14,000 higher in the sale adverts provided by WIC than the average mileage for Mr B's vehicle, so it's not a like for like comparison.

I should also point out that the Ombudsman Service typically finds the motor trade guides to be more persuasive than sale adverts because advertised prices often aren't the final price the vehicle actually sells for. So, based on the above, I don't find the adverts provided by WIC to be more persuasive than the motor trade guides.

For the reasons given above, I cannot agree that WIC has offered a fair market value for Mr B's vehicle.

I consider that a more appropriate fair market valuation would be £7,657. And I think that Mr B should be paid 8% simple interest for the time he has been without the additional money owed.

My final decision

It follows, for the reasons given above, that I uphold this complaint.

I require Watford Insurance Company Europe Limited to pay Mr B an additional £1,723.50 for his vehicle. WIC should pay this amount with 8% simple interest from the date the interim payment was made until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 28 October 2024.

Ankita Patel
Ombudsman