

The complaint

Mr K complains about the settlement he's been offered by Covea Insurance plc (Covea) following a claim made under his commercial motor trade policy.

What happened

Mr K has a commercial motor trade policy underwritten by Covea. The policy covers Mr K as a motor dealer and cars which he registers. One of the cars covered by the policy was damaged in an accident so Mr K made a claim to Covea, and the damaged car was declared a total loss.

Covea said the trade market value of the car was £1,478, so this is what they based the total loss settlement on, and there was no excess to be deducted as the third party had already admitted fault. Mr K complained to Covea that the settlement wasn't sufficient, and he thought £2,500 was a fairer amount.

Covea maintained their offer was fair, so Mr K approached the Financial Ombudsman Service.

One of our investigators looked into things and upheld the complaint. She checked additional trade guides to those relied on by Covea and this produced higher valuations than the settlement offered by Covea. The investigator didn't think Covea had sufficiently demonstrated a lower valuation was a fairer settlement than the higher valuation she obtained. So, she recommended Covea increase the total loss settlement to £1,820, with 8% simple interest added to the additional amount due.

Covea revisited things and after referring to their engineer, they said they'd be willing to increase the settlement to £1,715, with 8% simple interest added.

As an agreement couldn't be reached, the case was passed to me for a final decision.

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.

Mr K's car was deemed a total loss by Covea following the accident. The terms of Mr K's motor trade policy outline that in the event of a claim, the most Covea will pay is up to the trade market value.

Trade market value is defined in Mr K's policy as:

"The cost to replace the Insured Vehicle which is the price You would pay at that time to buy one replacement vehicle with the intention of selling it, for a profit, at a later

date. The vehicle must be of a similar make, model, year, mileage and condition. We use such publications as Glass's Guide to set the trade market value of the vehicle."

Covea calculated the trade market value as £1,478. When determining this, they relied on Glass's trade guide, a review of similar vehicles on Autotrader, and the opinion of their engineer which they say when averaged totalled £1,211. And this was then increased to £1,478.

Mr K doesn't think this is a fair settlement, as he says this isn't enough to replace the vehicle. However, it does appear that Mr K is of the view he should be given the retail price rather than the trade value of the vehicle. However, as outlined in his policy terms, the trade market value is the most Covea would pay due to the vehicle damaged and type of policy.

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 trade 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 (trade market value here) 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.

When offering settlement, Covea relied on Glass's trade guide, a review of similar vehicles on Autotrader, and the opinion of their engineer. They then increased the average of this from £1,211 to £1,478.

Our investigator also checked trade guide Percayso, which Covea hadn't taken into account, and this produced a valuation of £1,820. The investigator also tried to obtain a trade valuation from Autotrader, but this didn't produce a valuation. So, our investigator recommended Covea should increase the settlement in line with the highest of the trade guides to £1,820.

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 trade market value, I'd need to be satisfied that the evidence provided by Covea supported that. However, Covea hasn't provided sufficient evidence which persuades me this is the case.

Covea have provided valuations from their engineer, but these don't provide any detail as to why a lower valuation is fairer than the £1,820 valuation that our investigator obtained from Percayso. The valuation Covea's engineer took into account from Percayso was slightly lower than that too, but without any detail to evidence why this was a lower amount, or that a lower amount than £1,820 was fair.

As I'm not persuaded Covea has demonstrated a lower valuation is fairer, I'm directing Covea to increase the trade market value to the highest of the trade guides - £1,820. As Mr K has been deprived of funds he otherwise should have had, I'm also directing Covea to add 8% simple interest to the additional settlement amount due from the date of the previous settlement payment to the date of payment of the remainder.

My final decision

It's my final decision that I uphold this complaint and direct Covea Insurance plc to:

- Increase the total loss settlement to £1,820 and pay Mr K 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 payment to date of payment of the remainder.

* If Covea Insurance plc considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr K how much it's taken off. It should also give Mr K 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 K to accept or reject my decision before 9 September 2024.

Callum Milne
Ombudsman