

## **The complaint**

A limited company, which I will refer to as W, complains about the settlement of its commercial motor insurance claim by Covea Insurance plc.

## **What happened**

The following is intended only as a brief summary of the relevant events. Additionally, even where other parties have been involved in the claim process, for the sake of simplicity, I have just referred to W and Covea.

W operates in the motor trade and held an industry specific commercial motor insurance policy underwritten by Covea. In late April 2023, W purchased a motorhome for £64,000. W did this through a margin scheme, and so the purchase price did not include VAT. In early May 2023, W contacted Covea to report that the vehicle had been stolen to and claim for this loss.

Covea accepted the claim and, in August 2023, paid W just under £53,000. At this point, Covea accepted that the vehicle's value was £64,000. But reduced the sum payable to W by the amount of VAT Covea considered would be recoverable from HMRC. W complained about this, but Covea did not change its stance. So, W referred its complaint to the Financial Ombudsman Service.

Our Investigator thought the complaint should be upheld. Covea had told us that W was paid the amount it purchased the vehicle for, a few days prior to the loss, net of the VAT element. But our Investigator thought that if the amount W paid to purchase the vehicle was taken as the cost of replacement at that time, and that this amount did not include VAT, it was not fair or reasonable to deduct an amount for VAT from the settlement.

Covea did not agree. It said that the retail price of the vehicle was just over £51,000, excluding VAT. And that its settlement was higher than this.

As our Investigator was unable to resolve the complaint it was passed to me for a decision.

I contacted Covea and pointed out that the retail price list it had most recently referred to did not take account of the additional specification items the vehicle appeared to have. These items were listed on a document that Covea had provided the Ombudsman Service.

I also pointed out that, at the time of the claim, the website for the company from where the price list had been obtained said that there were issues with the supply chains and that, at least some, vehicles were not readily available. I said that this suggested the price of vehicles such as W's would have been increased due to supply and demand issues.

I said that these points suggested that the price W had paid in April 2023, which did not include VAT, was more indicative of the value of the vehicle at that time.

Covea said that this did not change its position though.

## **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 am upholding this complaint. I'll explain why.

This complaint is essentially limited to a single issue. Under the policy W held, Covea is required to settle W's insured loss on the basis of the value of the vehicle at the time of the loss. Essentially, this is the amount it would cost W to have replaced the vehicle.

Covea's handling of the claim, as well as its submissions to the Ombudsman Service, have not been as clear as they reasonably ought to have been. Prior to Covea's response to the Investigator's view, it seemed that Covea's position was based purely on the issue around whether an amount relevant to VAT ought to be included in the settlement.

W would not have had to pay VAT in order to replace the vehicle. So, I agree that the settlement figure should not include an amount relating to VAT.

However, Covea's position now seems to be that the value of W's vehicle at the time of the loss was around £51,000, excluding VAT.

Covea has provided a price list for new vehicles. This shows the list price was in line with Covea's settlement figure. But the website from which this list was obtained indicates that there were supply issues at the time of the claim.

It isn't clear whether these supply issues related to the specific model of W's vehicle, or only to other models. However, when referring its complaint to the Ombudsman Service, W said "at the time of the theft there was a 2 year order / waiting list for these vehicles." And also that new vehicles were not available in 2023. Specific evidence to support these comments was not provided by W. But the notification on the retailer's website, referred to above, does support that there were general supply issues.

It is also notable that internal emails from Covea sent in August 2023 say that market research Covea conducted suggested a £64,000 sale price was reasonable. But the evidence of what market research was carried out has not been provided. So, it is unclear whether this sum included VAT.

Additional support is provided by the fact that W had paid £64,000 for the vehicle very shortly prior to the loss. Taken on its own, this might not mean that an insurer should meet such a value – a policyholder might have paid more than they ought reasonably have. But in this case, I consider this adds to the evidence above.

For completeness, I will say that W has provided some adverts of vehicles for sale a number of months after the date of loss. Whilst these do provide some limited benefit, full details haven't been provided, it doesn't seem the mileage etc. was the same as W's vehicle, and it isn't clear whether VAT is included in the listed price. So, I have placed only minimal weight on this evidence.

It is, however, for Covea to demonstrate that the settlement it paid W was fair and reasonable. Covea's evidence is largely limited to the price list and a valuation given by a tool/guide. This latter valuation was based on the vehicle having an average mileage. However, W's vehicle seemingly had a lower than average mileage. So, I am not overly persuaded by this valuation.

It also does not seem that either the price list or the tool valuation included the specifications that W's vehicle seemed to have. The evidence provided by Covea includes details of this specification, and suggests that the additional items that this vehicle apparently had would cost just under £5,000. It isn't clear whether this price includes an element of VAT. But, regardless, it does not seem this has been factored in by Covea when actually reaching its valuation of W's vehicle.

I will say that it isn't entirely clear where this list or valuation of these additional items came from. This was a document provided to the Ombudsman Service within Covea's file, but then Covea's complaint handler indicated this wasn't something they were aware of. And commented that no documentation had been provided demonstrating the vehicle actually had these additions.

Ultimately, taking all of the evidence into account, I am not persuaded that the amount paid by Covea in settlement of the claim was fair and reasonable. And I consider that the claim ought to have been settled based on the vehicle having a value of £64,000.

I also consider that, by failing to settle the claim at this value, and by its inconsistent messaging over the reasons for this, Covea has caused W avoidable inconvenience that ought to be compensated.

### **Putting things right**

Covea Insurance plc should pay W the difference between what the claim was settled for and £64,000. Covea should also add interest to this sum, at a rate of 8% simple per annum, from the date of the initial claim settlement to the date this complaint is settled. Covea Insurance plc should also pay £200 to compensate it for the inconvenience caused.

### **My final decision**

My final decision is that I uphold this complaint. Covea Insurance plc should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask W to accept or reject my decision before 13 December 2024.

Sam Thomas  
**Ombudsman**