DRN-5006452

The complaint

Mr L has complained that the offer made to him by his commercial vehicle insurer, Collingwood Insurance Company Ltd ('Collingwood'), for the market value of his van after it was stolen was too low. He wants this to be increased.

What happened

Mr L's van was stolen in August 2023 and he made a claim under his insurance policy. Mr L said he was disappointed with Collingwood's offer towards the market value of the van. Collingwood valued the van at £9,474.33 but Mr L felt it was worth over £14,000 based on adverts he had seen for similar vans online. He also said that he had work done to the van shortly before it was stolen, which cost him £4,065.92.

Mr L complained to Collingwood who didn't uphold his complaint. It said it valued the van at £9,474.33 and after deducting the £750 excess and £7,102.76 that was paid to the finance company, this left Mr L with £1,621.75. Collingwood said that it had arrived at its valuation by consulting motor trade guides.

One of our investigators reviewed the complaint and thought it should be upheld. He didn't think that the work that had been done to the van before the accident would affect the market value as it was an engine repair and not a replacement, but he thought Collingwood should increase its offer to £10,640. This was based on the highest valuation Collingwood got from the trade guides. He recommended it paid Mr L the difference between this and what it had paid him, plus 8% interest calculated one month from the date of settlement.

Collingwood didn't agree. It said its offer was the average of the three motor trade valuations it had obtained. It said the guides returned valuations of £8,014, £9,760 and £10,640. There was a £2,636 difference between the top and bottom valuations which it considered significant. It said its offer was 12% from the top valuation and it didn't consider this to be a significant variation.

Our investigator didn't change his view. He said we would recommend the higher valuation and not an average of the three. He said in order to be satisfied that Collingwood's valuation was fair we would expect to be provided with other evidence such as adverts in support of the lower valuation. And we would need to find that evidence relevant and persuasive. He said Collingwood hadn't provided such evidence.

Collingwood didn't agree and asked for an ombudsman's decision. It said our organisation's guidelines only changed recently and did not state that the highest valuation should be offered. They state that the highest valuation will be used when the values vary significantly.

The matter was then 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.

The terms and conditions of Mr L's policy say that, amongst other things, Collingwood will cover the insured against loss of or damage to their vehicle caused by theft. The most it will pay is the lower of the market value of the insured vehicle immediately before the loss or the cost of repairing the insured vehicle. As Mr L's van was stolen, in this case Collingwood covered the market value.

The policy defines the market value as "*The cost of replacing the insured vehicle as far as may be practical with a vehicle of similar make, model, age and condition (including similar mileage). In order to determine the market value, we will use industry valuation guides with allowances being made for mileage, condition and use of your particular vehicle*…"

Our service has an approach to valuation cases like Mr L's that has evolved in recent times. When looking at the valuation placed on a car or a van by an insurance company, I consider the approach it has adopted and decide whether the valuation is fair in all the circumstances.

Our service doesn't value vans. Instead, we check to see that the insurer's valuation is fair and reasonable and in line with the terms and conditions of the policy. To do this we tend to use relevant valuation guides. I usually find these persuasive as they're based on nationwide research of sales prices.

Collingwood used three of the four motor guides we use. We consulted the fourth guide but it didn't return any valuations. The three guides Collingwood used produced values of £8,014, £9,769 and £10,640. I've also reviewed the valuations our investigator got and they are broadly in line with the valuations Collingwood used so I'm satisfied that these valuations are for Mr L's car. I think the three valuations are fairly close to each other and I, therefore, didn't consider any to be an outlier. So I haven't discounted any of them.

Collingwood valued Mr L's van at £9,474.33 which is the average of the three valuations. Collingwood hasn't provided us with any evidence such as adverts in support of its valuation being fair, despite being lower than the highest valuation of £10,640.

Mr L has provided an advert for £14,990 which I have considered. The advert shows a van of similar make and model as Mr L's but with much lower mileage. So I didn't consider this to be persuasive evidence in support of Mr L's argument that the van is worth over £14,000. Also, the price that a van is advertised for isn't necessarily the price it will sell for which is often lowered further to negotiation.

I appreciate Mr L also said that he'd spent over £4,000 on a new engine just before the van was stolen. I have considered the invoice Mr L provided and I agree with our investigator and also with Collingwood in that it is unlikely this would affect the market value of the van. I say this because the invoice shows that this was a repair rather than a new engine (it seems the cambelt broke and needed replacing). The motor trade guides would have already taken this into account i.e. that the van had a working cambelt, when returning their valuations.

Looking at the valuations produced by the guides I'm not persuaded that Collingwood's offer of £9,474.33 is fair. This is because it sits in the middle of the three valuations and it hasn't shown why its offer is fair or that Mr L can replace his van with a similar one for the amount offered. In these circumstances, to be satisfied that Collingwood's offer represents a fair valuation, as I said above I'd expect to have been provided with other evidence (for example adverts for cars for sale around the time of the loss or expert reports) to support that a lower valuation point is appropriate. And I'd need to be satisfied that this evidence is relevant and persuasive before accepting that a lower valuation should be used.

Given there isn't any other evidence to persuade me that a valuation in line with the higher valuations produced is inappropriate and to avoid any detriment to Mr L the highest valuation produced by the guides is my starting point. And considering the overall variation of the values produced and the lack of other evidence provided by Collingwood, I consider that a more appropriate and fair market valuation would be £10,640. And I think that Mr L should be paid 8% simple interest for the time he has been without the additional money owed.

My final decision

For the reasons above I have decided to uphold this complaint. Collingwood Insurance Company Ltd must pay Mr L £1,165.67 which is the shortfall between the £9,474.33 it has paid so far (less any deductions) and the £10,640 valuation. It must add 8% simple interest per year on the shortfall starting a month after the date of the claim until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 3 October 2024.

Anastasia Serdari
Ombudsman