

The complaint

Mr H has complained about the amount Society of Lloyd's (SOL) has offered in settlement of his claim for a van insured under a van insurance policy. He has also complained about the way SOL handled the claim.

Any reference to SOL includes the underwriter at SOL who provided Mr H's policy and its agents.

What happened

I appreciate a lot has happened around Mr H's claim and complaint. In this section I haven't gone into great detail about what happened; instead I have mentioned what I consider to be the most important and relevant aspects.

Mr H was involved in an accident in July 2023 in which the van (which had been converted to a catering van) insured under his policy was damaged. He made a claim under his policy. SOL made a total loss offer for the van which was a lot less than Mr H was expecting to receive. He made it clear that he thought he had an agreed value policy under which he should receive £50,000 if his van was a total loss. And he referred to a conversation he had with his insurance broker when he agreed to buy the policy. SOL investigated the claim and emailed Mr H in October 2023 and said it would honour an agreed value for the van of £50,000. It said this made the van economic to repair and it asked Mr H to obtain an estimate for repair. SOL then decided it didn't agree with an agreed value of £50,000 and it maintained its total loss offer was correct.

Mr H complained to his broker about the fact he did not have an agreed value policy. His broker then issued a final response letter on the complaint. He then asked us to consider his complaint. In his complaint form he mentioned his concerns about the way SOL had handled his claim; in particular it accepting an agreed value of £50,000 and then refuting this. And he also mentioned his dissatisfaction with his broker.

We set up this complaint and told SOL about it. We have also set up a complaint about the sale of the policy by Mr H's broker, which is being considered separately. When we told SOL about Mr H's complaint it said it had not issued a final response letter on it. It then did this in February 2024. In this it said it had obtained a further engineer's report on Mr H's van. And it offered to treat it as a total loss and settle his claim for it using a valuation of £24,045.65. It also offered to pay Mr H £1,500 in compensation for the distress and inconvenience he'd experienced as a result of what it accepted was poor handling on its part of his claim. It also offered to consider paying any storage costs Mr H had incurred for his van after it was damaged and any loss of earnings he'd suffered because of the delays on his claim. One of our investigators considered Mr H's complaint. She said the valuation suggested by SOL in its final response letter was fair. She also thought its offer of £1,500 in compensation for distress and inconvenience was fair. And she said that SOL's offer to consider storage charges and loss of earnings was reasonable.

Mr H wasn't happy with the investigator's assessment of his complaint. And he made several points in response. The main ones were as follows:

- He asked her to give her view on whether his policy was sold correctly.
- SOL had never found a vehicle of the same age, model and specification as his for what it had suggested the guides said it should be valued at.
- He'd sent invoices for the items he'd purchased to convert his van totalling around £22,643.82, which meant that SOL had only offered him around £2,000 for the basic van.
- SOL did not tell him it had instructed another engineer to place a value on his van. And he queried how a desktop valuation could be used as evidence to support the settlement amount for his claim.
- The guides used for valuing vehicles do not reflect the bespoke nature of his van, which had been converted for catering.
- He wanted clarity on whether SOL was going to pay his storage costs and loss of earnings.
- He was under the impression his van was insured for £50,000, so he didn't understand why he should need to provide evidence to substantiate its value..
- He asked what evidence had led the investigator to conclude he'd made numerous calls to SOL. And why she had not acknowledged the various calls and emails where SOL agreed the invoices he supplied would be added to the valuation.

As Mr H didn't agree with the investigator's view she put the case forward for an ombudsman's decision. Mr H then later provided an engineer's report following an inspection of his van by an engineer he'd appointed. This engineer said that the correct valuation of Mr H's van was £32,349.38, inclusive of VAT.

The investigator sent a copy of this report to SOL for its comments. Having reviewed it, SOL told us it was willing to settle Mr H's claim for his van using a valuation of £32,349.38 and pay this less the £350 policy excess. The investigator told Mr H this and asked if he accepted this offer. He came back and reiterated his view that the investigator had not dealt with all his complaint points in her assessment of his complaint.

SOL then told us it was going to review its claim settlement again. And it said it didn't think the new evidence provided by Mr H, i.e. the engineer's report could be considered by me when determining his complaint. In view of this the investigator asked whether its revised offer of £32,349.38 less the excess still stood. It responded to say it did not. And reiterated its point about me not considering new evidence.

I issued a provisional decision on 12 September 2024. In this I explained that I'd provisionally decided what SOL had offered in settlement of Mr H's claim for his van and for the distress and inconvenience he'd experienced as a result of its poor handling of his claim at times was reasonable. I also said that SOL's offer to consider what Mr H had paid to store his van after it was damaged and any income he'd lost as a result of being without it was reasonable.

I gave both parties until 26 September 2024 to provide further comments and evidence in response to my provisional decision.

Mr H asked if he could discuss my provisional decision with me over the telephone. We did this and afterwards he sent a new estimate for converting a basic van to match the specification his van had. He also said that he thought the amount SOL pay in settlement of his van should reflect this. He did also make some other points, but said that these had largely been addressed to his satisfaction in our telephone conversation.

SOL didn't provide any substantive further comments in response to my provisional decision. However, I sent them a copy of the new estimate Mr H had sent to me and explained that as a result of this I had changed my mind on what it should pay in settlement of Mr H's claim for

his van. And I suggested it should pay £33,498, less the policy excess, plus interest.

SOL responded to say it agreed to pay this amount in settlement, but it felt it should only pay interest on the amount due above what it offered to pay to Mr H in February 2024. It also explained that it would only pay this amount in settlement if Mr H's damaged van became its property and Mr H agreed to release it to them.

I also told Mr H that I felt £33,498, less the policy excess, was the right settlement amount. And I then told him that I agreed with SOL's view it should only pay interest on the difference between this and what it offered to pay him in February 2024. I also explained to him that the settlement amount would be subject to the van becoming SOL's property. I had also explained to Mr H that I was satisfied what SOL had offered in compensation for distress and inconvenience was fair. And it remained my view that its offer to consider the storage costs he'd incurred and any loss of income was also reasonable. I also explained to him that I could not comment on what SOL's view on these would be once it had considered them, but that Mr H could make a new complaint if he wasn't happy with it.

Mr H was happy with what I'd suggested in settlement of his claim for his van. He also explained that he was happy to sign ownership of his van to SOL and for it to be released to it. However, he did say that the storage company might not release it until the storage charges had been cleared. And he hasn't made any further comments in relation to my view that SOL's compensation payment for distress and inconvenience remained the same.

I then emailed SOL and advised it that when I worked out the market value of a basic van I had not factored in VAT and that this meant I now thought the correct market value was £8,517. And I said that this meant that I thought SOL should pay £34,917, less the policy excess, in settlement of Mr H's claim for his van.

I gave both parties time to provide further comments on this, but neither of them has provided any.

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.

For the reasons set out in my provisional decision, it remains my view that what SOL has offered as compensation for distress and inconvenience is fair. I also remain satisfied that its offer to consider storage charges and loss of income is reasonable. And I should be clear that if Mr H isn't happy with what SOL decides in respect of these things he can make a new complaint to SOL about them, which he can then bring to us if necessary and in accordance with our rules.

As SOL and Mr H both agreed with what I suggested in settlement of his claim for his van after my provisional decision and neither have provided any further comments on my recent suggestion that the amount that should be paid is £34,917, less the excess, I see no reason to alter my view that this is the correct amount for SOL to pay in settlement of Mr H's claim. I have explained to both parties why I consider the cost of a replacement basic van that was a previous write off, plus converting it to a catering van is the right amount for SOL to pay in settlement of Mr H's claim for his van after deduction of the policy excess. And I have also explained why I consider this will cost £34,917. This amount includes VAT as Mr H is not VAT registered. So, it follows that I consider SOL needs to pay this, less the policy excess, in settlement of Mr H's claim for his van. This will be subject to Mr H signing over ownership of the van to SOL and agreeing for it to be released to it.

I'm also satisfied that SOL only needs to pay interest on what it offered in its final response letter from when it made its first settlement offer up to the date of this letter. The amount mentioned in its final response letter was a valuation before the deduction of the policy excess. It offered to pay interest on this amount in its final response letter up to that point, so I see no reason why it shouldn't have to pay this now. However, it will only need to pay interest on the additional amount payable above this amount from the date of its first settlement offer to the date of actual payment.

Putting things right

For the reasons set out above, in my provisional decision and in my follow up emails to SOL on the settlement of Mr H's claim for his van, I've decided to uphold his complaint and make SOL do the following:

- Pay Mr H £34,917, less the policy excess in settlement of his claim for his van, subject to Mr H signing ownership of the van over to SOL and providing his agreement for it to be released to it.
- Pay interest on the difference between this amount and what it offered Mr H in settlement of his claim for his van in its final response letter in February 2024 at 8% per annum simple from the date it made its first settlement offer to Mr H to the date of payment.*
- Pay interest at 8% per annum simple on the amount it offered in its final response letter in February 2024 from the date of its first settlement offer to the date of its final response letter.*
- Pay Mr H £1,500 in compensation for distress and inconvenience if it has not paid this already. SOL must pay the compensation within 28 days of the date on which we tell it Mr H accepts my final decision. If it pays later than this, it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.
- Consider Mr H's claim for storage charges and consider paying him compensation for any loss of income resulting from the delays with his claim.

* SOL must tell Mr H if it has made a deduction for income tax. And, if it has, how much it's taken off. It must also provide a tax deduction certificate for Mr H if asked to do so. This will allow Mr H to reclaim the tax from His Majesty's Revenue & Customs (HMRC) if appropriate.

My final decision

I uphold Mr H's complaint and order Society of Lloyd's to do what I've set out above in the 'Putting things right' section.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 7 November 2024.

Robert Short
Ombudsman