

The complaint

Mr C complains about the settlement he's been offered by Nelson Insurance Company Ltd (Nelson) after making a claim under his hire and reward commercial motor insurance policy.

What happened

Mr C is a chauffeur, and his vehicle is insured under a hire and reward commercial motor insurance policy underwritten by Nelson.

In December 2023 Mr C's vehicle was stolen so he made a claim. The claim was accepted and there were several offers of settlement. Ultimately Nelson offered £18,000 as a claim settlement.

Mr C remained unhappy with the settlement offer and Nelson's handling of the claim, so he approached the Financial Ombudsman Service.

One of our investigators looked into things and upheld the complaint in part. She didn't think Nelson had avoidably delayed the claim, so she didn't uphold that part of the complaint.

However, the investigator didn't think the claim settlement offered was fair, so she recommended this be increased to £20,789 (before excess deduction), with 8% simple interest added from one month after the claim was made.

Nelson didn't agree so 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.

Firstly, I acknowledge Mr C is unhappy he wasn't provided with a hire vehicle which he says he was entitled to under the policy he has, and instead was offered loss of earnings, and he doesn't think the amount is enough. However, the legal expenses and hire car cover is a separate policy and an add-on to Mr C's hire and reward vehicle insurance policy and isn't underwritten by Nelson. Therefore, as explained to Mr C by our investigator, that would be a separate complaint against that insurer and wouldn't form part of this complaint about Nelson.

I recognise Mr C is unhappy with the time it took to be offered a claim settlement (and the settlement amount which I've considered separately below). However, having looked at the timeline, I haven't identified any avoidable delays which were solely caused by Nelson.

There were delays in the early stages of the claim as Nelson needed the keys to be provided to them by Mr C, but they weren't received until several weeks after first being requested. And Nelson required information from the Police but were told there was a backlog. So, to enable the claim to progress, Nelson agreed to move things forward after they had received the report on Mr C's key, after he provided it.

Once Nelson received the key report and engineer's report, an initial offer of settlement was made to Mr C. Whilst I recognise it was around six weeks after making the claim, I haven't identified any significant delays that Nelson was solely responsible for. So, I won't be upholding this part of Mr C's complaint.

Mr C's vehicle was stolen and not recovered. Mr C's policy says that in the event of a total loss and a vehicle not being recovered the most Nelson will pay in settlement of the claim is the *market value* of the vehicle. This is defined in the policy terms as:

"Market value

The cost of replacing your vehicle as far as may be practical with one of the same make, model, year, type, mileage, and condition at the time of the loss or your estimated value last declared to us; whichever is the lower amount but not exceeding the purchase price paid by you."

Nelson offered £16,850 (before excess deduction) in settlement of the claim. This was based on the following trade guide valuations they obtained:

- Glass's £16,850
- Parkers £17,240
- CAP £16,795

When offering settlement, Nelson relied on the middle of the three guides totalling £16,850. Nelson also obtained a fourth valuation from Percayso which totalled £20,169 but discounted it as it was higher than the rest. Nelson later increased the offer to £18,000 (before excess deduction) based on their engineers review and an advert for a similar, but different model, of vehicle for sale at £18,995.

Mr C says the settlement he's been offered isn't sufficient to replace his vehicle with a similar one. I recognise Mr C sent Nelson adverts of similar vehicles for sale in excess of £24,000, but these were for different age and mileage vehicles. So, I don't consider these adverts persuasive in demonstrating they are a fair market value for Mr C's vehicle.

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 market valuation of a vehicle is. We'd also take into account any other available information.

Whilst Nelson has used the mid-range of the three guides mentioned above, and discounted one, as explained by our investigator, this isn't the starting point for how we look at valuation complaints. 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 (market value) 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.

Our investigator checked the trade guides we normally use, this produced the following valuations:

- CAP £16,595
- Glass's £16,850
- Percayso £20,169
- Autotrader £20,789

Our investigator recommended Nelson should increase the settlement in line with the highest of the trade guides to £20,789 (before excess deduction).

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

Ultimately Nelson has discounted one of the trade guides based on it being higher and relied on the mid-range of the remaining three. They didn't take into account the other guide considered by our investigator, which we use as a starting point, which produced a valuation in line with the one they discounted. Nelson then relied on an advert of a similar, but different model vehicle which was advertised at £18,995 and then offered a reduced £18,000 (before excess deduction).

Based on all the information provided, I'm not persuaded that Nelson has demonstrated a lower valuation is a fairer amount than the highest of the trade guides. So, I agree with our investigator that the fair and reasonable outcome here is to increase the valuation to £20,789 (before excess deduction) and pay the difference due to Mr C.

As I'm not persuaded Nelson made a fair initial, or increased, offer of settlement, I'll also be directing the same as our investigator recommended, that 8% simple interest is added to the additional amount due from one month after the claim was made to date of settlement of the remainder.

My final decision

It's my final decision that I uphold this complaint in part and direct Nelson Insurance Company Ltd to:

- Increase the settlement amount (before excess deduction) to £20,789
- Add 8% simple interest* to the additional settlement amount due from one month from the date of the claim to date of payment of the remainder.

* If Nelson Insurance Company Ltd considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr C how much it's taken off. It should also give Mr C 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 C to accept or reject my decision before 20 November 2024.

Callum Milne
Ombudsman