

## **The complaint**

Mr O complains that Society of Lloyd's ("Lloyds") hasn't paid him enough to settle his taxi insurance claim.

## **What happened**

Mr O is a taxi driver and has a commercial vehicle insurance policy which covers him for damage, fire, and theft.

Mr O says, following a non-fault accident, his car was deemed a total loss; category N. He received settlement for the total loss of his vehicle, less the salvage value to Lloyds because he was keeping his car.

Mr O says Lloyds based its settlement on less than market value for his car and didn't take into account the age or colour of the vehicle. Mr O says Lloyds also didn't consider that the car was a licensed taxi and needed to meet certain requirements in order to be licensed.

Mr O's car was registered in March 2017 and so has a '17' plate. He says from 1 April 2017 tax rules changed; so, in order for him to get the same tax benefit it must be registered in March 2017. He says anything outside of that date would have a different registration year, and so a different tax band. Mr O's car is tax exempt. He says the replacement car needs to be white in order to be licensed as a taxi. He says he's had difficulty obtaining a white car replacement since white is a premium colour and so there aren't many on the market, and those that are for sale, are more expensive.

Mr O thinks Lloyds should have repaired his car. He says had the car been valued correctly it would have been economic from Lloyd's to repair it. He says the car is his work vehicle and is insured as such. But Lloyds has assessed it as a private car; dismissing the relevance of the age and colour of the vehicle.

Mr O has had temporary repairs carried out on his car in order to continue working. He says as a result of his car not being valued correctly he will not be back in the position he was in prior to the accident, as he doesn't have the funds to replace the car like for like.

Lloyds explained that using valuation guides it found the market value of Mr O's car was £6,650 and it based its settlement on this amount less the excess and what it would have got for salvage. Lloyds accept Mr O kept the condition of his vehicle to a high standard, but said it had a higher mileage than average due to being used as a taxi. Lloyds maintain its settlement offer was fair and reasonable based on the evidence provided. Mr O didn't agree so he referred his complaint to this service.

Our investigator said she thought Lloyds settlement was fair and reasonable. She looked at the valuation guides to assess whether Lloyds offer of £6,650 was fair and noted Lloyds offer was above the highest valuation provided by the guides. She considered the adverts provided by Mr O but said the mileage on those vehicles were much lower than Mr O's car.

Mr O didn't agree. He said Lloyds' valuation didn't consider the specifics of his vehicle and he wasn't able to replace the car on a like for like basis. He says he hasn't been put back in the position he was prior to the accident. So, the complaint has come 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.

#### *Vehicle valuation*

My role here isn't to work out exactly what the value of an individual vehicle is. It is to look at whether the insurer has applied the terms of a policy correctly.

The insured vehicle value declared on the policy is £10,000 – and this is the limit of cover available in relation to any claim. Mr O's policy says, *"The most we will pay for claims in relation to loss of or damage to your vehicle is up to the value shown on your policy schedule and statement of fact, as this is the limit of cover available."* The policy goes on to say, *"The most we will pay will be either the UK mainland market value of your vehicle as determined by us, immediately before the loss; up to the value shown on your schedule or the amount it would cost us to repair your vehicle."*

The policy also confirms, *"You will need to pay the agreed excess as shown in your schedule."* According to the policy schedule the agreed excess on Mr O's policy is £350; so, any settlement would be less the excess.

Market value is defined as *the cost of replacing your vehicle with another one of the same make, model, and specification, and of similar age, mileage, and condition at the time of an accident or loss."*

In assessing what constitutes a fair market value we generally expect insurers to review relevant motor valuation guides – which is also our starting point for most valuation complaints.

I've looked at the available guides to assess whether the market value Lloyds used to reach its settlement offer of £6,650 is fair. I have reviewed the CAP Market Value, Glass's Market Value, Auto Trader and Percayso guides. These give market values of £5,675, £6,640, £6,153, and £5,596 respectively.

Looking at the values produced by the guides I can see they show some variance, but Lloyds' starting point was a market value which is higher than the highest guide valuation. So, I'm satisfied it is fair.

Mr O says he requires a white car for work purposes and these cars are more expensive. So, I asked for evidence of this, but Mr O has not provided any adverts to demonstrate that it costs more to buy a white model than it does to buy one of any other colour. Mr O provided me with adverts that he considers show that it would have cost more to replace his car than the market value used by Lloyds. But I don't find these persuasive because the cars all have significantly less mileage than Mr O's car. I therefore think that Lloyds offer is fair and reasonable in all the circumstances.

#### *Total loss of the vehicle*

Mr O complains his car should have been repaired rather than being written off. One of Lloyds' agents considered the condition of the car and decided the car was uneconomical to repair and so deemed it a total loss. Since I have found the market value used by Lloyds is

fair, when considering the repair cost and the salvage value, I am satisfied it was appropriate for Lloyds to write the car off.

Mr O says if Lloyds had increased its valuation of the car then it would have been possible for it to be repaired. I've thought about this carefully. Lloyds' report confirms the repair costs for parts and labour were around £7,000. On considering the valuation guides the value of the car ranges from £5,596 up to £6,640. So, it was reasonable for Lloyds to deem the car a total loss. The maximum the policy would pay out is £10,000 – so even if the valuation of the car was higher, the repair costs remain significant when considering the value.

### *Current needs*

Mr O explained his car has zero road tax and he has unable to find a replacement car that is tax exempt. Mr O says even if he was able to find a suitable car he wouldn't be able to licence it for work if the mileage is over 100,000, or the car is too old. Lloyds say the policy is to pay the market value of the vehicle and covering the cost of purchasing a new vehicle doesn't form part of the terms and conditions.

I appreciate in order to pay the same car tax Mr O needs to buy a replacement car registered in March 2017 or before, but I'm satisfied he should be able to do this at the market value Lloyds has used. I don't think the fact he can't licence a car with a mileage over £100,000 is relevant, as I just need to be satisfied that the market value Lloyds has used is fair and is enough for Mr O to be able to replace his car with one of a similar make and model. And I'm satisfied this is the case.

Mr O is unhappy his policy doesn't cover the costs involved with licensing a new vehicle and the other costs involved in his profession. But this is something Lloyds is responsible for – any complaints about mis-sale of the policy should be directed to the broker.

I understand and empathise with the situation Mr O finds himself in. But, since the policy requires Lloyds to pay the market value of the vehicle and I'm satisfied that is what it has done, I won't be asking Lloyds to take any further action here.

### **My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 21 February 2025.

Kiran Clair  
**Ombudsman**