

The complaint

Mr M is unhappy with the service provided by Society of Lloyd's (SoL) following a claim he made on his taxi insurance policy.

What happened

Mr M took out a taxi insurance policy with SoL. The policy booklet explained in the event of a claim where Mr M's taxi was unable to be repaired, SoL would pay the 'Market value.' The definition of 'Market value' explained *'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 February 2024 Mr M contacted SoL to make a claim. SoL said Mr M's taxi was a total loss and provided a pre-accident value (PAV) of £6,720. SoL also informed Mr M that it would be placing a category N marker on Mr M's taxi. Mr M was unhappy with the PAV offered, and SoL's decision to place a category N marker on his taxi and complained to SoL about this.

SoL considered Mr M's complaint and said the PAV of £6,720 was reasonable. It told Mr M that he could choose to retain his taxi but a salvage deduction of 36% would be applied to the PAV if he chose this option. SoL said Mr M could choose to take his taxi to a garage to be repaired, and if deemed repairable, an additional £250 excess will apply if Mr M chooses to repair his taxi with a garage outside of SoL's own network. SoL said it would consider removing the category N marker if the repair cost supported this. Mr M didn't accept SoL's offer to put things right and brought his complaint to this service.

The Investigator checked four valuation guides that this service would usually consider when determining complaints about vehicle valuations. The Investigator said SoL should pay Mr M £6,835 which was the highest value returned from all four guides. The Investigator also said SoL should include 8% interest on the difference between the PAV offer of £6,720 and the highest valuation, from the date the PAV was offered until the date of payment. The Investigator found that the correct salvage deduction percentage is 33%, and recommended SoL pay Mr M £300 for the unnecessary distress and inconvenience it caused due to its poor claim handling.

SoL accepted the Investigator's findings. Mr M disagreed with the Investigator's findings, saying (amongst other things) that he has been left out of pocket and he can't buy a replacement taxi with the amount offered by SoL. As the complaint couldn't be resolved, it has been passed to me for 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.

I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it has affected what I think is the right outcome.

Valuation

I've looked at the valuation guides that we would usually refer to when dealing with complaints about market valuation. These guides are based on extensive nationwide research of likely selling prices. They use advertised prices and auction prices to work out what likely selling prices would've been. We expect insurers to use valuation guides when valuing a vehicle for claims purposes.

I've summarised the values returned from the four different valuation guides used by this Service;

- ☐ AutoTrader: £6,835
- ☐ Percayso: £6,740
- ☐ Glass's: £6,720
- ☐ CAP: £6,275

I've carefully considered the values returned from the trade guides alongside the PAV offer made by SoL for Mr M's taxi. SoL has accepted the Investigator's findings on this point, in paying Mr M the value returned from the highest guide (that is £6,835).

Mr M was offered the PAV of £6,720, and told that accepting the PAV wouldn't impact his complaint. As Mr M was offered the PAV, and choose not to accept it at the time, SoL should pay 8% simple interest on the difference between the interim payment of £6,720, and the higher valuation of £6,835 (minus the policy excess). This interest is to recognise the time Mr M has been without this money.

Categorisation and salvage

Mr M says the categorisation of his taxi as a category N is unfair. Mr M feels strongly about the impact of repairing his taxi and continuing to use it as a taxi after it being deemed a category N. We generally take the view that provided an appropriately qualified person (as stated by the salvage code), such as an engineer, has completed an inspection, it's reasonable for a business to rely on the findings of that engineer for the purposes of categorising a vehicle.

Usually if the damage on a vehicle is more than 60% of the value of the vehicle, a business will say it's a total loss. We generally agree with this approach. In this case, the engineer deemed that it wouldn't be economical to repair Mr M's taxi because of the repairs costs, and so the claim would be treated on a total-loss basis. The engineer also, after completing an inspection, determined that a category N marker would be placed on Mr M's taxi to reflect the extent of the damage caused. I'm persuaded the engineer's report showed sufficient damage to deem Mr M's taxi a total loss.

I recognise Mr M's strength of feeling about the categorisation of his taxi. And I can appreciate what Mr M has explained about continuing to use his taxi for business purposes, knowing about the category N marker. But all things considered, I'm satisfied SoL's reliance on the engineer's report is fair, and in line with what we'd expect in the circumstances.

I've also seen that Mr M was given the option to have his taxi repaired at a garage of his choosing. And if the cost of these repairs meant that the category N was no longer applicable, SoL confirmed (subject to the engineer's agreement) it would remove it. I think the options presented to Mr M at the time were reasonable. Based on the current evidence, I won't be asking SoL to take any further action in respect of the category N marker.

Salvage deduction

It's not disputed that SoL incorrectly informed Mr M that the salvage deduction amount would be 36% of the PAV. SoL has since confirmed this amount is incorrect, and the correct deduction would be based on 33% of the PAV. SoL has provided evidence supporting the deduction at 33% based on a PAV of £6,835. This evidence is commercially sensitive. So I can't share it with Mr M. But having considered it, I'm satisfied a deduction for salvage at 33% on a PAV of £6,835 is reasonable and in line with our approach.

I think SoL should've given Mr M the correct salvage deduction amount, and as it didn't it means Mr M was able to decide if he wished to retain the salvage or not. SoL's poor claim handling meant that Mr M was left feeling confused by his dealings with SoL, and the lack of clarity in any explanation around how much he would receive if he chose to retain the salvage.

The investigator found that SoL should pay Mr M £300 for the distress and inconvenience caused. SoL has agreed to pay Mr M this amount. I'll be asking it to pay this as part of my direction for putting things right.

Courtesy vehicle

I've seen that the policy booklet explained '*If your vehicle is a total loss, you will not be offered a courtesy car.*' As SoL determined Mr M's vehicle to be a total loss, in line with the policy terms, Mr M wouldn't have been entitled to a courtesy vehicle once this decision had been made.

Although I accept the upset and inconvenience caused to Mr M as he was without a vehicle following the dispute around the PAV offered by SoL, I'm satisfied SoL's application of the policy terms was fair, and in line with what we'd expect.

Mr M first contacted SoL on 13 February 2024 to inform it about an incident his taxi had been involved in. Mr M said he'd be claiming through the third party insurer (TPI), and so SoL wasn't instructed to take any further action.

Mr M contacted SoL on 5 March to say that he'd like to make a claim through his policy as there hadn't been much progress through the TPI. On the same day SoL instructed its own engineer, I, to arrange an inspection of Mr M's taxi. Mr M's taxi was taken for inspection on 20 March. On 25 March Mr M was informed about the engineer's findings, and total-loss decision.

Having considered what has happened, I accept there was a period between 5 and 20 March where Mr M was waiting for SoL to inspect his taxi. I accept that this wait would've been frustrating for Mr M. But I think part of Mr M's upset at the time was because of the delay from the TPI, which meant that his claim had already not progressed for almost a month before SoL was instructed.

I have seen that SoL contacted Mr M on 5 March and provided details for I so that Mr M could contact I directly to arrange for an inspection of his taxi. Although I accept this didn't happen until 20 March, I haven't seen any evidence to hold SoL directly responsible for this delay.

Putting things right

SoL needs to do more to put things right in respect of Mr M's complaint as follows:

1. If Mr M chooses **not** to retain the salvage, settle Mr M's motor insurance claim based

on a valuation of £6,835; **OR**

If Mr M **chooses to retain** the salvage, settle Mr M's motor insurance based on a valuation of £6,835, and apply a 33% deduction to the settlement amount representing the salvage retained by Mr M;

2. Pay interest on the difference between the interim payment offered for £6,720, and the final settlement amount. The interest should be calculated from 24 April 2024 (the date SoL offered to make an interim payment) to the date of payment. The rate of interest is 8% simple interest per year*; and
3. Pay £300 for distress and inconvenience.

*If Society of Lloyd's considers that it is required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr M how much it has taken off. It should also give Mr M a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons given above, Society of Lloyd's is directed to follow my directions for putting things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 7 March 2025.

Neeta Karelia
Ombudsman