

The complaint

A limited company, which I will refer to as J, complains about the handling and settlement of its commercial motor insurance claim by U K Insurance Limited trading as NIG.

What happened

The following is intended only as a brief summary of events. Additionally, even where other parties have been involved, for the sake of simplicity, I have just referred to J and NIG.

J operates as a farm, and had an industry specific motor insurance policy underwritten by NIG. In July 2024, J suffered a theft of a tanker and an associated dribble bar. J claimed for this loss under the policy. In October 2024, NIG offered J £21,000 in settlement of the tanker. J was unhappy with this and the time taken. J also said that the offer did not include the dribble bar.

NIG responded to the complaint, maintaining that its offer of £21,000 was reasonable. But apologised for the delay in making this offer – and offered J £400 compensation for this. It also apologised for not including the cost of the dribble bar in its offer. However, once this was reviewed, NIG did not alter its offer as it considered all items lost as part of this claim were covered by the £21,00 valuation.

J brought its complaint about this to the Ombudsman Service. Our Investigator recommended the complaint should be upheld. She said that, based on evidence of what was actually available, the value of the tanker would be £25,000 and the value of the dribble bar would be around an additional £10,000. Our Investigator recommended that NIG should pay an increased settlement based on these figures, along with interest. She also considered that, as NIG had caused delays to the claim process, it ought to cover the cost of J having hired replacement equipment for the period of this delay.

NIG did not agree. It said the valuation it had used was from the supplier J had obtained the tanker and dribble bar from. And that the evidence the Investigator had relied upon was for different models.

As our Investigator was unable to resolve this complaint, it has been passed to me for a 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 have come to the same conclusions as our Investigator. I'll explain why.

Before providing my explanation, I will just note that both parties have provided detailed information covering a number of points. I have considered all of this, but I am not going to refer to these individually. Instead, I am going to focus this decision on what I consider to be the key issues. This is not intended as a discourtesy, but rather reflects the informal nature

of the Ombudsman Service.

The valuation

NIG has valued the tanker and dribble bar as a combined £21,000. The first key issue I need to determine is, was this a fair and reasonable valuation?

J's policy with NIG says that in the event of loss, NIG will pay the amount of loss which will not be more than the market value of item(s) at the time of the loss. Market value is not defined within the policy, but I consider that this wording means NIG needs to show J could purchase a replacement with the amount it offered.

NIG has relied upon comments from the company that J originally bought the items from. Apparently, in a phone call in 2024, this supplier informed NIG that it would value the items at £21,000. More recent written submissions from this supplier indicate a value of £23,000. This difference in itself does not mean the valuation in 2024 was incorrect. It would be the value at the time of the loss that would be relevant.

However, this supplier does not indicate that it has the items available or that they are being offered for sale at this price. My inference from the wording used is that these items are not available through this supplier at this time.

As I've said, in order to provide the correct market value, NIG needs to settle the claim on the basis that the offer would allow J to purchase a replacement. So, in circumstances where the specific items are not available, it is necessary to consider what is available. This is where consideration of similar tankers and dribble bars becomes important. Ideally, the alternatives would be a direct match for the specifications of the stolen items.

Looking at the adverts that were provided by J, that were sourced by the Investigator and that are available now, I am persuaded that it would have cost J around £25,000 to replace the tanker with a reasonably equivalent model – and that this would have been the market value at the time of loss. There are some differences to J's lost tanker in terms of age and specification. But where it is not possible to identify an exact match, I consider it fair and reasonable to use the figure of £25,000.

Similarly, it has not been possible to identify a direct replacement of the dribble bar J lost. However, a dribble bar with a slightly higher specification has been identified as being offered at over £11,000 and one with a lower specification at around £9,000. This is a limited range of values. But I am persuaded that a fair and reasonable market value for the bar that J lost would be £10,375, which is the average of these two adverts.

I also consider that the advertised prices of these items are a fair reflection of their market value.

Overall, whilst I recognise the limitations in the evidence in terms of the vehicles not matching, I am not persuaded that it is fair or reasonable for NIG to rely on a valuation provided by a company that does not have the items for sale. The lack of availability is likely to have an influence on the items' market value. So, I consider that a fair and reasonable settlement of J's claim would be £35,375.

As NIG offered less than this, it ought to pay J the difference, and also add interest to this difference from the date the claim was originally settled to the date this complaint is settled. This interest should be 8% simple per annum.

Claim handling

The second key issue to determine relates to NIG's handling of the claim. NIG agrees that it caused avoidable delays in the progression of the claim. So, the question I need to ask is, did these delays cause a consequential loss that NIG should cover?

NIG has offered J £400 to compensate it for the inconvenience caused. J says that it had to hire alternative equipment to carry out the work that otherwise would have been done by the lost machinery.

In the event of a claim there will inevitably be some inconvenience. And I agree with NIG that the policy does not cover J for the cost of hiring temporary replacements of its lost goods. However, the issue here is whether the impact of NIG's poor claim handling has led to a financial loss that otherwise would have been avoided.

NIG agrees that it delayed the claim by 25 days. So, if J had to hire replacement equipment for the period whilst NIG was considering its claim, NIG ought to cover the cost of this for the period of 25 days prior to its settlement offer. Had NIG not caused the delay, the settlement offer would have been made sooner and J could have avoided this additional expense.

I have considered the fact that NIG's offer was not fair or reasonable. However, J could have accepted this on a without prejudice basis and then mitigated its losses to an extent. This interim settlement alone would not have enabled J to replace both items above. But J ought reasonably to have contributed to this, to mitigate any ongoing loss at this point. The use of its own funds in this way would be redressed by part of the interest award outlined above.

Putting things right

To put things right U K Insurance Limited trading as NIG should:

- Settle J's claim on the basis that the market value of its lost goods was £35,375.
- Pay J interest on the difference between this settlement and the settlement offered in 2024, as set out above.
- Pay the cost of J hiring replacement items for the period of 25 days prior to its settlement offer, subject to J providing NIG with evidence of these costs. And pay interest on these costs, from the date J incurred them to the date the complaint is settled – again at a rate of 8% simple per annum. If J cannot provide such evidence, then NIG's offer of £400 compensation would be sufficient.

My final decision

My final decision is that I uphold this complaint. U K Insurance Limited trading as NIG should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask J to accept or reject my decision before 28 March 2025.

Sam Thomas
Ombudsman