DRN-5316989

The complaint

Mr M complains about how Nelson Insurance Company Ltd (Nelson) valued his vehicle following a claim made under his Private Hire Insurance policy.

Any reference to Nelson includes its agents.

What happened

Mr M is a private hire driver and has commercial motor insurance with Nelson.

Unfortunately, in October 2023, Mr M was involved in a non-fault accident where his parked car was hit by another vehicle and the driver didn't stop. Nelson accepted his claim and settled it by paying what it said represented the market value of his vehicle.

Mr M wasn't happy with the valuation offered and provided it with some adverts of comparable cars, along with the invoice of the purchase of his vehicle.

Mr M purchased the car for £12,000 approximately 18 months before the accident. So, he was expecting a payment for around £10,000. But after paying the excess, Mr M was left with £7,300. He wasn't happy with the settlement offer from Nelson, so he complained.

Nelson said it instructed an independent engineer to compile a desktop report and the engineer placed a value of £7,800 on the vehicle. It said its engineer used guidebooks to determine the value of the vehicle – taking an average of the three guides. Nelson said since Mr M disputed the value it requested adverts for vehicles listed for sale, but the ones provided were not comparable to Mr M's car. So, Nelson instructed a second engineer to provide a report on the value of the car. This time the car was valued at £7,650. It said based on what it had seen the original valuation was fair.

Mr M didn't agree. So, he approached the Financial Ombudsman Service.

One of our Investigators looked into things and said he thought Nelson's valuation of £7,800 was fair and reasonable.

Mr M didn't agree. He said he is a private hire driver; his vehicle was a private hire vehicle; and this wasn't taken into consideration. He said Transport for London (TFL) changed the rules around registering a new private hire vehicle that has led to an increased cost for vehicles for sale that are already registered for private hire. Mr M's own car registration was valid until 2025. Mr M says he provided a receipt for the purchase of his car which shows he paid a premium because it was a registered private hire vehicle.

The Investigator reviewed the evidence provided by Mr M, but his view remained the same. He said Mr M's policy entitled him to the market value of the vehicle; one with similar physical specifications.

Mr M disagreed. He says his insurance policy is for private hire insurance so it shouldn't leave him in a worse financial position than he was before the accident. So, the Investigator reviewed everything again and recommended Nelson increase its offer to £9,193; based on the highest valuation of the guides. Nelson didn't respond to the Investigator's final view and 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.

Mr M's car was written off. His policy says that in the event of total loss the most it 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 £7,800 (before excess deduction) in settlement of the claim. This was based on the following valuation guides it obtained:

- A £7,500
- B £8,000
- C £8,750

When offering settlement, Nelson relied on the valuation from its engineer, who valued the car at £7,800. Nelson said the average of the two values closest to each other; £7,500 and £8,000, came to £7,750 so it thought its offer was fair. Nelson discounted the valuation from guide C as it considered it was 'significantly higher' than the other two.

Mr M says the settlement he's been offered isn't sufficient to replace his vehicle with a similar one. He provided adverts for vehicles listed on the open market for sale from £9,900 to around £17,000. Nelson discounted most of the adverts as it said the cars weren't comparable with Mr M's. And I agree, having reviewed the adverts they are for different registration years and are much higher or much lower in mileage. So, I don't consider these adverts persuasive in demonstrating they are a fair market value for Mr M's vehicle.

Valuing a vehicle isn't an exact science. When considering disputes about vehicle valuations, as a starting point, we'd consider what the different valuation guides say the market value of the vehicle is. We'd also consider any other available information.

Whilst Nelson has used the average of two guides mentioned above, and discounted one, this isn't the starting point for how we look at valuation complaints. In order to make sure the customer isn't caused any detriment; the insurer needs to evidence any valuation lower than the highest one returned by the available guides being fair. If it doesn't, or can't evidence why a lower valuation is fair, then our approach is that it should pay the highest guide.

Our Investigator checked the valuation guides we normally use; this produced the following valuations:

- A £7,650
- B £8,675
- C £9,166
- D £9,193

Our investigator recommended Nelson should increase the settlement in line with the highest of the valuation guides to £9,193 (before excess deduction).

To be persuaded that a lower valuation than that produced by the highest of the valuation guides is a fair reflection of the market value, I'd need to be satisfied 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 valuation guides based on it being higher than the other two. It didn't consider the other guides looked at by our Investigator. Nelson then relied on adverts of similar vehicles, but only one of those adverts showed a comparable car that was within its settlement value – that's not enough here considering there are more than one vehicles for sale. So, I'm not persuaded Nelson has evidenced Mr M could reasonably replace his vehicle for the settlement offered.

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 £9,193 (before excess deduction) and pay the difference due to Mr M.

As I'm not persuaded Nelson made a fair initial 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 the date of settlement of the remainder.

Putting things right

I direct Nelson Insurance Company Ltd to:

- Increase the settlement amount (before excess deduction) to £9,193
- Add 8% simple interest to the additional settlement amount due from one month from the date of the claim to the date of payment of the remainder.

My final decision

My final decision is that I uphold this complaint and direct Nelson Insurance Company Ltd to put things right by doing what I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 22 April 2025.

Kiran Clair
Ombudsman