

The complaint

Mr B is unhappy with his commercial vehicle insurer Nelson Insurance Company Ltd. When Mr B had an accident he wasn't happy with its offer to resolve the claim, or the fact he was left without a replacement vehicle.

What happened

In January 2024 Mr B, who uses his car for unlicensed taxi work, told Nelson of an incident in December 2023 where his car was driven into by a police car. Because it was likely Mr B was not at fault for the accident Nelson put him in touch with a company which could provide a hire car. Nelson instructed repairers to assess Mr B's car.

At the beginning of February 2024, Nelson reviewed a report from its engineer. That report referenced prior poor repairs on the car. It suggested Nelson should not undertake a repair on this occasion – that it should pay Mr B what it would have cost it to repair the car (excluding VAT and net a policy excess of £500). Nelson offered Mr B £810 and told him that was his only option.

Mr B sent Nelson a quote for repair – showing he'd need around £3,000 to repair the car. Nelson maintained its offer. Nelson subsequently closed its file and only reopened it again when Mr B raised a formal complaint.

In October 2024, during the course of reviewing Mr B's complaint, Nelson explored options such as negotiating with Mr B's repairer to see if it would do the work at Nelson's rates. It also looked at the market value of Mr B's car. Nelson told Mr B it would either pay him a slightly increased sum in lieu of it repairing the car, or work with his garage to get it to do the repair, or pay him the market value for the car less the policy excess and an amount for salvage (it having assumed he would want to keep the car). Nelson did not tell Mr B that he could pick one of these options and still pursue his complaint with the Financial Ombudsman Service (which he'd already made).

Mr B had told this Service that he was unhappy with Nelson – that it had put him in a very difficult situation, particularly since the other company had taken back the hire vehicle. Mr B explained how Nelson's offer had left him unable to fix his car, so in order to keep working, he'd hired a vehicle for a small cost each week. He said this matter had caused a lot of stress and he was facing financial hardship.

Our Investigator, reviewing Mr B's complaint noted he'd had a difficult time not being able to use his car. She felt Nelson was not at fault for the other company's decision to take back the hire car. But she also felt Nelson hadn't handled the claim settlement fairly or reasonably in February 2024. And she noted that even once Nelson put forward some alternative options in October 2024, it still hadn't been clear with Mr B that he could take one of its options and still complain. She felt Nelson had caused Mr B to be without a car for an extended period and that it had been reasonable for him to mitigate the situation by getting a hire car. She felt Nelson should reimburse his costs, subject to evidence, plus interest and pay £300 compensation.

She noted Mr B had said he'd like to pursue the market value option and that he didn't want to retain the vehicle. So our Investigator reviewed the market value Nelson had said it would apply to Mr B's car. She felt its market value was not in-line with what this Service would say was fair. She felt it should settle based on an increased sum – but that it would be fair for it to apply a deduction to allow for the effect on the car's value of the previous poor repair. To the final sum to be paid to Mr B, she thought interest should be applied.

Mr B was happy with what our Investigator had suggested. Nelson said it was not fair that Mr B had chosen to incur expensive hire car costs whilst refusing its settlement offer which (it believed) would have allowed him to repair his car, or later, replace it. Nelson said the hire company had told Mr B that if he accepted the cash for repairs offer in February 2024 as an interim payment, that company would have continued to provide the hire car.

Our Investigator reviewed Nelson's comments. She wasn't persuaded they changed anything. The complaint was referred for an Ombudsman's 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 agree with our Investigator – I think Nelson failed Mr B back in February 2024, and that the costs he's incurred and the upset he's experienced since, are all the result of those failures. I've set out my findings on the complaint below.

Unfair offer in February 2024

Nelson did not want to complete work on Mr B's car. So it should have made an offer to him based on his cost to repair, not its own. Whilst Mr B then tried to negotiate with Nelson, and even sent it his quote for repair, Nelson very clearly told him it would not budge from its offer, there was no suggestion by it that Mr B could accept that sum and complain. Nelson's offer for repairs was about a third of the cost of Mr B's quote, causing a shortfall of around £2,000. Nelson might have had issues with some work detailed in the quote – but it never addressed that with Mr B. I think even if Nelson had been clear that Mr B could accept that sum and still complain, Mr B would still have been unable to get his car repaired.

Hire car

It was the other company which decided to take the hire car back. That left Mr B without a car to use for work. And at a time when Nelson had made him an unfair offer of settlement that would not reasonably have allowed him to repair his car (even if he'd accepted it). So Mr B could; a) choose not to work and lose income; b) accept Nelson's offer and somehow find a sum of around £2,000 to get his car fixed; or c) incur a small cost each week, likely defrayed against income, allowing him to keep working whilst he challenged Nelson's decision. I think Mr B acted reasonably in this respect. He picked the option he could manage financially, and which would cause him the least financial loss. Costs have built since then – but that is arguably Nelson's fault for remaining intransigent and failing to make a fair and reasonable offer of settlement.

I'd add that whilst Nelson, responding to the complaint Mr B had made, did choose to make additional offers of settlement to Mr B, it still did not tell him he could accept one and still complain to this Service. As Mr B was unhappy with those offers, I can understand why he still felt unable to accept them. I think Nelson is reasonably responsible for Mr B's ongoing hire costs until it reasonably settles his claim (which I'll be directing it to do in this decision).

Market value

So Nelson's initial offer of settlement was unfair. Upon review it seemed to feel it should offer to treat the car as a total loss. In all of the circumstances here I think it was fair and reasonable for Nelson to put that option to Mr B and I understand that, quantum aside for a minute, he is happy with that method of settlement. So with that reasonable method of settlement 'on the table'; I need to consider if the 'quantum' Nelson attached to it was fair.

Our Investigator noted that before making a deduction for the previous poor repair, Nelson set the market value of Mr B's car at £4,390. It said this was the "average" of the values returned by the market valuation guides it had consulted.

Thinking about this Service's approach to motor valuation complaints, our Investigator did not think that applying an average sum would result in a fair valuation. This Service's says that the starting point for an insurer should be the highest of the valuation figures returned, *not the average of them all*. Then, if an insurer thinks the fair market valuation should be less than that highest figure, it should show what that lower figure is and why it's felt to be fair.

Clearly that is not what Nelson did here. So the market value Nelson put forward to Mr B as an option to settle his claim was not in-line with this Service's approach.

The four valuations returned by our Investigator were: £3,875, £4,430, £4,550 and £4,921. So the starting point for Nelson should have been £4,921. I note that the previous repair Nelson has concerns about involved the vehicle having been repaired using a lot of filler, which had been painted over using a household DIY roller. Nelson hasn't provided any hard evidence about how a repair like that would affect the sale price of a vehicle. However, given the unprofessional nature of the repair, I'm prepared to accept it would likely affect the car's perceived value to buyers. It's difficult to put a figure on how much – but I think it might make the car quite difficult to sell at a price point near the highest market value sum. So I'm satisfied that allowing Nelson to use the highest value sum, less a deduction of 20%, to apply as the market value for Mr B's car, is fair and reasonable.

Salvage

Mr B has said he does not want to keep the car. So Nelson cannot fairly deduct a sum for salvage from its settlement, Mr B should be aware that, once paid, the car becomes Nelson's property.

Compensation

I've resolved Mr B's financial loss above by saying Nelson will have to reimburse his outlay for the hire car. But I accept that he has likely been inconvenienced in the months since Nelson's unfair settlement in February 2024. Not least having to arrange hire and manage the on-going cost for that. I accept that Nelson's unfair offer and its lack of desire to work with him to resolve matters were upsetting and frustrating for him too. In the circumstances here, I think £300 compensation is fairly and reasonably due.

Putting things right

I require Nelson to:

- Reimburse Mr B's hire costs incurred starting in February 2024, until settlement of the claim is made, subject to him evidencing his outlay. Plus interest* added on to each sum Mr B paid, applied from the date of payment until settlement is made.

- Settle Mr B's claim, in line with the policy terms and conditions, based on the car's market value being £4,921 less 20%. To the sum to be paid to Mr B, add interest*, applied on the payment sum from 1 February 2024 until settlement is made.
- Pay Mr B £300 compensation for distress and inconvenience.

*Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. HM Revenue & Customs may require Nelson to take off tax from this interest. If asked, it must give Mr B a certificate showing how much tax it's taken off.

My final decision

I uphold this complaint. I require Nelson Insurance Company Ltd to provide the redress set out above at "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 8 April 2025.

Fiona Robinson
Ombudsman