

The complaint

Mr W has complained that the offer his commercial vehicle insurer, Tradex Insurance Company PLC ('Tradex') made to him for his vehicle after it was declared a total loss was too low.

Tradex is the underwriter of this policy i.e., the insurer. During the claim Mr W also dealt with other businesses who act as Tradex's agents. As Tradex has accepted it is accountable for the actions of its agents, in my decision, any reference to Tradex includes the actions of the agents.

What happened

In May 2023 Mr W was involved in a road traffic accident with a third party who he considers to be at fault for the accident. He initially tried to claim through the third party's insurer but as it disputed liability he made a claim on his policy with Tradex in February 2024. Tradex said the car was uneconomical to repair and made an offer to Mr W for its pre-accident value.

Tradex instructed an independent engineer who inspected the car in March 2024. The engineer said the car was in a below average pre-accident condition and said its market value was £1,000.

Tradex initially offered Mr W £1,000 which it later increased to £1,350. Mr W felt this was too low and that the car was worth £2,000. Tradex said it normally consults motor valuation guides in relation to the market value of a vehicle but on this occasion only one of the guides was able to return a value. It added that it also found an advert for £1,600 for a car similar to Mr W's but with significantly less mileage.

Tradex offered the £1,350 as an interim payment in May 2024 but Mr W didn't accept it and raised a complaint. Tradex considered Mr W's complaint but it didn't uphold it for the reasons it already provided to him.

Mr W then provided Tradex with an advert for a sports model which was advertised for £1,980 and others for £2,500 and £1,995 but it isn't clear what the mileage was on each car.

Tradex didn't increase its offer and Mr W brought his complaint to our organisation. While the complaint was with us Tradex said it wanted to increase its offer to £1,465 and also offered £305 compensation. The compensation was due to delays mainly in receiving the engineer's report and £5 was interest up to the date Mr W could have accepted the interim payment in May 2024. Mr W accepted the interim offer in August 2024.

This offer was put to Mr W by our Investigator but he didn't accept it. He said Tradex's valuation didn't take into account the fact that the car was a sports, diesel model.

Our Investigator then reviewed the complaint and thought Tradex's offers were fair and reasonable. He wasn't persuaded by the evidence Mr W provided regarding the value of his car as the adverts were for different models and didn't show what their mileage was. In terms of the interest payment he thought this should be calculated from May 2024 to the date of settlement and if it is lower than £5 for Tradex to still pay £5.

Mr W didn't agree and said that the wrong model had been used by Tradex which led to a lower valuation. He said he found adverts for £2,950 and £3,290 for the same model as his car. He also asked our Investigator to bear in mind that the car had to be taxed and have its MOT done during this time.

Our Investigator didn't change his view and as there was no resolution the matter was passed to me to decide. Before I issued my decision, I asked our Investigator to clarify to Tradex that any interest it pays will be calculated starting a month from the date of the accident. It will be on the full amount awarded and then on the balance from the date of the interim payment.

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.

The policy provides cover in the event the car is lost stolen or damaged. It states that Tradex will repair, replace or reinstate it. If the car is deemed to be a total loss and was privately owned it will offer the market value or value shown in the schedule whichever is lower. The policy defines "market value" as the current cost of replacing the vehicle with a comparable one of similar type and condition.

Our service has an approach to valuation cases like Mr W's that has evolved in recent times. When looking at the valuation placed on a car by an insurance company, I consider the approach it has adopted and decide whether the valuation is fair in all the circumstances.

Our service doesn't value cars. Instead, we check to see that the insurer's valuation is fair and reasonable and in line with the terms and conditions of the policy. To do this we tend to use relevant valuation guides. I usually find these persuasive as they're based on nationwide research of sales prices.

Tradex used one of the four motor guides we use which returned a value of £1,465. Our Investigator consulted the same guide which returned a value of £1,456. As the valuations are very close to each other I am satisfied that they are for Mr W's car. The other guides returned no results due to the age of Mr W's car.

Tradex also provided adverts in support of its valuation. One was for £1,077 but it was for a different model to Mr W's car. The other was for £1,600 but the car had lower mileage and another for £2,500 but it was for a petrol model and not a diesel like Mr W's car and it also had much lower mileage. So I didn't find these persuasive.

Mr W has provided adverts ranging between £1,980 and £3,290 which I have considered. The adverts were for similar make and model cars as Mr W's but with significantly lower mileage and in some of the adverts the mileage isn't shown so I wasn't able to consider them at all. So, I didn't consider them to be persuasive evidence in support of Mr W's argument that the car is worth more than what Tradex offered him. Also, the price that a car is advertised for isn't necessarily the price it will sell for which is often lowered further to negotiation.

Given there isn't any other evidence to persuade me that a valuation in line with the valuation produced by the guide is inappropriate I'm of the view that Tradex's offer of £1,465 is fair.

Tradex offered Mr W £5 interest on the increase in the offer it made him up to the point when he could have accepted its interim payment. I think interest should be calculated from a month from the date of the claim, allowing for a reasonable amount of time for Tradex to investigate the claim, to the date of settlement. But as an interim payment was made in August 2024, the interest should be calculated on the balance and not the full amount from the date the interim payment was made to the date of settlement. If the overall interest is less than £5 Tradex should still pay the £5 it offered.

Tradex has also offered Mr W £300 compensation due to the two month delay in it receiving the engineer's report which it said was due to a technical error with the engineer. I think this offer is fair and reasonable bearing in mind Mr W still had use of his car.

Mr W mentioned that he isn't happy with the fact that liability is yet to be decided in relation to the incident with the third party. As our Investigator said, as this wasn't part of his initial complaint this is something Mr W will need to raise separately.

My final decision

For the reasons above, I have decided to uphold this complaint. Tradex Insurance Company PLC must pay Mr W £1,465 for the total loss of his vehicle less any interim payments it has already paid. It must also pay 8% simple interest per year on the full amount to be calculated starting a month from the date of the claim, allowing for a reasonable amount of time for Tradex to investigate the claim, to the date the interim payment was paid. Further 8% simple interest per year should be paid on the balance and not the full amount from the date the interim payment was made to the date of settlement. If the overall interest is less than £5 Tradex should still pay the £5 it offered.

Tradex Insurance Company PLC must also pay Mr W £300 compensation for the distress and inconvenience it caused him if it hasn't paid this already. It must pay the compensation within 28 days of the date on which we tell it Mr W accepts my final decision. If it pays later than this it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

If Tradex Insurance Company PLC considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr W how much it's taken off. It should also give Mr W a tax deduction certificate if he asks for one so he can reclaim the tax from

HM Revenue & Customs if appropriate.

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

Anastasia Serdari
Ombudsman