The complaint

Mr K complains that his commercial vehicle insurer, Nelson Insurance Company Ltd ('Nelson') undervalued his car after it was declared a total loss.

What happened

In December 2023, Mr K was involved in an accident which resulted in his car being declared a total loss. He made a claim on his insurance policy with Nelson who assessed the car and provided him with a valuation of £16,788.

Mr K didn't agree with the valuation as he felt it was too low. He felt his car was worth more especially because it had a private hire car licence (PCO licence) which made it more desirable to buyers.

Nelson asked Mr K to provide evidence in support of his allegations including adverts, the PCO licence and purchase invoice. It also asked whether Mr K took out the licence before or after he purchased the car.

Mr K provided adverts and confirmed that the licence was taken out after he purchased the car.

Nelson didn't increase its valuation. It said it couldn't value the car with a PCO licence as this was taken out later and for the same reason it felt Mr K's adverts were also not comparable.

Mr K then raised a complaint but Nelson didn't uphold it and said its valuation was based on recognised valuation guides. It issued Mr K with an interim payment based on its valuation in April 2024, after deducting his £500 excess and outstanding premium.

Unhappy with Nelson's response, Mr K brought his complaint to our service. He said that the situation cost him financially. He said there was a delay in him being provided with a courtesy car which meant he wasn't able to work. When he did get a courtesy car it was faulty and so he couldn't use it. He hired a car himself but he wasn't reimbursed for the cost. Mr K said he wanted to recover his financial losses.

One of our investigators reviewed Mr K's complaint and thought that it should be upheld. After consulting four valuation guides, our investigator said that she thought that £17,837 was a fairer valuation.

Mr K agreed with our investigator but Nelson didn't and asked for an ombudsman's decision. It said that the guidance it had received from our service was to offer a valuation based on the average value provided by the guides and this did not include the fourth guide our investigator relied on. It added that Mr K had provided no service history and that he'd purchased a replacement vehicle for £14,800 with a PCO licence which supports that its offer was fair.

The matter was then passed 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.

Before I look at the valuation, I'd like to explain that I won't be able to consider Mr K's complaint about the courtesy car and the delays and issues with it. The reason for this is because the courtesy car was provided under Mr K's legal expenses insurance which is provided by a different insurance company, not Nelson. Under this policy, Mr K was entitled to a hire car for 21 days in the event he was involved in an accident he was deemed to be at fault for- as was the case here. So, if Mr K wishes to complain about the courtesy car he will have to raise a separate complaint about this to his legal expenses insurer.

<u>The policy</u>

The policy states that if the insured vehicle is damaged, the most Nelson will pay is its market value and its fitted accessories at the time of the damage not exceeding the last estimated value declared to it.

The policy defines the market value as: "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."

Mr K mentioned his car having a PCO licence but this isn't something that is covered under the terms and conditions including the definition above.

From what I've seen, the declared value for Mr K's car was £23,000.

<u>The valuation</u>

Our service has an approach to valuation cases like Mr K'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. I note Nelson questioned our approach and the guides that we use but this approach has been in place for some time now.

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 sales prices.

Nelson used three motor guides. We consulted two of the guides Nelson used (the third guide couldn't be used due to the time that passed since the accident) as well as another two. The guides Nelson used produced values of £16,660, £17,095 and £16,210. I've also reviewed the valuations our investigator obtained, and the guides returned values of £16,690, £17,683, £16,550 and £17,837. I think the valuations are fairly close to each other and I'm, therefore, persuaded that they are for the same car. And I didn't consider any to be an outlier so, I haven't discounted any of them.

Nelson valued Mr K's car at £16,778. It said this was more than the average of the three valuations it obtained.

Mr K said he believed that his car was worth £23,000- £24,000. He provided adverts which I have considered. They were for £22,500 and £19,500 for cars with higher mileage than his car.

Nelson has also provided adverts in support of its valuation being fair. The adverts were between £15,699 and £17,495 for cars with similar mileage to Mr K's. It later provided further adverts which ranged from £15,699 to £22,500 though the cars which were advertised for over £20,000 had lower mileage than Mr K's. Cars with similar mileage to Mr K's were advertised for £16,300.

Though adverts can sometimes be useful when deciding whether a valuation provided by an insurer is fair and reasonable, I don't tend to find them as persuasive as the guides. This is because the guides are based on sales prices. The price that a car is advertised for isn't necessarily the price it will sell for, which is often lower due to negotiations between the buyer and seller. Also advertised prices can vary a lot. As I said above the adverts Mr K found were for cars with lower mileage than his, whereas the adverts Nelson found were for similar mileage but had lower prices. So, I don't think they are as reliable as the guides.

Looking at the valuations produced by the guides I'm not persuaded that Nelson's offer of £16,788 is fair. Given that there isn't any other evidence that is as persuasive as the guides to persuade me that a valuation in line with the higher valuations produced is inappropriate and to avoid any detriment to Mr K, the highest valuation produced by the guides is my starting point. And considering the overall variation of the values produced I consider that £17,837 is a fair valuation.

My final decision

For the reasons above, I have decided to uphold this complaint. Nelson Insurance Company Ltd must pay Mr K the difference between £17,837 and its previous valuation of £16,778 for the total loss of his car. I note it has made an interim payment from which the excess and outstanding premium have already been deducted so they don't need to be deducted again. It must also pay him 8% interest per year simple on the amount it pays him calculated from one month after the claim to the date it pays him.

If Nelson Insurance Company Ltd considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr K how much it's taken off. It should also give Mr K 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 K to accept or reject my decision before 25 July 2025.

Anastasia Serdari
Ombudsman