DRN-5497834

The complaint

H complains Zurich Insurance Company Ltd's settlement of its motor insurance claim is unreasonable.

H is a limited company. It's been represented for the claim and complaint by a director.

What happened

In October 2024 H's vehicle was damaged. It claimed against its Zurich motor trade road risks insurance policy. Zurich considered the car to be a total loss. After some back and forth it made a final settlement offer based on a pre-accident value of £4,460.

Unhappy with that, H complained. It said that settlement isn't enough for it to replace the vehicle with one of comparable specification. H provided examples of adverts, for cars priced from £12,000 to £15,000, it considered demonstrated Zurich's settlement to be unfair.

In response Zurich said £4,460, considering the age and mileage of H's vehicle, is a fair valuation. It accepted it had delayed H receiving an update on the settlement by recording its email address incorrectly. It offered £100 compensation as an apology.

Unsatisfied with that response H referred its complaint to the Financial Ombudsman Service. It raised concern at the value of the settlement and delay it considered Zurich responsible for. It referred to various specifications it considered made its vehicle exceptionally rare and more desirable than examples cited by Zurich. H felt Zurich's reliance on trade guide valuations failed to take into account these specifications. It said it had been unable to fulfil contracts as Zurich's unfair settlement had left it without a vehicle - causing it a monthly loss of income. It didn't accept £100 compensation as enough to make up for the financial loss and inconvenience it had experienced.

Our Investigator concluded Zurich had settled the claim fairly. She said it was only required, under the insurance contract, to settle based on a trade value, but had instead used a much higher retail value. H didn't accept that proposed outcome, so the complaint was 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.

As this is an informal service I'm not going to respond here to every point or piece of evidence H and Zurich have provided – including various rules and regulations H has referred to. Instead, I've focused on those I consider to be key or central to the issue. But I would like to reassure both that I have considered everything submitted.

Having done so, I'm satisfied Zurich offered a fair settlement.

H’s policy covers the car against loss or damage caused by accidental damage. Zurich says its liability is limited to the trade value of the vehicle, rather than the retail or market value. The policy does say Zurich won’t pay any amount exceeding the trade value of any insured motor vehicle owned by ‘you’. ‘You’ is defined in the terms as the person, business or joint partnership named in the schedule and certificate of insurance as the policyholder or the Insured. The terms define ‘motor vehicle’ as any vehicle which is H’s property, or in its control or custody for motor trade purposes.

H is named in the schedule as being the policyholder and insured. H has described how the car was used for, and essential to, its motor trader business purposes. It’s also referred to the policy’s indemnity limits for its ‘own vehicles’. Based on these circumstances I’m satisfied its reasonable for Zurich to consider its liability as limited to the trade value. But even if I considered its liability extended to market (or retail) value I’d still be satisfied its settled the claim fairly.

Trade value is defined by the policy as the cost of replacing the car with one of a similar make, model, age, specification and/or condition at the time of the loss as assessed by Zurich. The policy explains it uses guides which refer to vehicle values, engineers and other relevant sources to assess the trade guide.

So I’ve considered if Zurich’s offer, based on a valuation of £4,460, is fair and in line with these terms. When looking into these types of complaints we check trade guides, adverts and other relevant evidence. We consider whether the insurer has made a reasonable offer in line with the evidence. We generally find the guides most persuasive as they’re based on nationwide research of likely selling prices, so they’re more reliable than individual adverts. But as I’ve said we do consider other evidence.

I’ve considered the valuations given by four guides for the car. I’ve referred to them as Guides A, C, G and P. I’ve also taken into account Zurich’s engineer’s and H’s comments and supporting evidence – including adverts.

Guide A provided this Service with a trade valuation of £545 and a retail of £3,048. In the same order, Guide C provided £1,675 and £3,250. Guide G provided both this Service and Zurich with £2,260 and £4,310. Guide P provided this Service with a retail valuation only - £2,964. These were produced based using the make, model, age of H’s car - alongside Zurich’s estimated mileage of 150,000. I haven’t seen anything to persuade me that would be an unfair mileage to use.

Zurich’s final valuation is significantly higher than all three of the trade guide values. It’s also £150 higher than even the highest market (or retail) valuation from the various guides. Zurich added that amount, to Guide G’s valuation, to reflect the various optional extras H said would increase the value of the car. Zurich’s engineer didn’t accept the extras would have a significant influence on the value.

I’m satisfied Zurich’s valuation, when considered against only the guides, is reasonable. But to ensure a fair outcome, I’ve considered the other available evidence. I’ve first considered H’s comments on the specification, optional extras and its adverts.

H provided one batch of adverts with examples with mileage of 46,000, 50,000, 57,780 and 67,0000 miles. These are very significantly below its vehicle’s estimated mileage of 150,000. H provided another set of adverts to Zurich. These included examples three years younger, with 90,0000 and 50,000 less miles, than its vehicle. A further example was four years younger, with 20,000 less miles.

H doesn’t accept mileage has a significant effect on value. However, in my experience it does typically have an impact on valuations – as does age. H’s adverts all have significantly lower mileage than its vehicle’s. In some examples the car is several years younger. For these reasons I don’t consider its adverts to provide compelling or persuasive evidence in support of a fair valuation being above the highest of the guide values.

In addition, Zurich’s engineer’s research supports a market value, based on the year and mileage, being around its £4,460 settlement valuation. Its adverts include several examples of the same age with mileage at around 130,000. The average advertised price was £4,065.

H referred to various specification or optional extras it considers would increase the value of its car. It hasn’t provided any persuasive evidence that they would significantly increase the value. In my experience optional extras have a limited impact on the value of a car of the age of H’s.

Overall, I’m satisfied Zurich’s settlement valuation was made in line with the terms of the policy (even if the higher bar of market value is considered to apply) and is fair and reasonable.

I’ve found that its settlement offer was fair, so it follows I don’t consider it responsible for any loss of income resulting from H being unable to fulfil contracts due to a lack of appropriate transport. I’m also satisfied Zurich has offered enough compensation to reflect any inconvenience caused to H by the administrative or customer service errors its raised. So I’m not going to require it to pay additional compensation or reimburse any financial loss.

My final decision

For the reasons given above, I don’t uphold H’s complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask B to accept or reject my decision before 14 July 2025.

Daniel Martin
Ombudsman