

The complaint

Mr E complains about Zurich Insurance Company Ltd (Zurich) and the service he received after he was involved in a road traffic accident and made a claim on his commercial motor insurance policy.

What happened

Mr E was involved in an accident in May 2024. He says a third-party hit the rear of his van, so he reported the matter to Zurich and made a claim for the damage.

The claim was accepted, and Zurich took steps to assess the damage to the van.

Mr E asked Zurich to provide him with details of the third-party insurer so he could make a claim with them directly. But he says Zurich refused to provide him with those details.

Zurich said the van would be dealt with as a total loss since the engineer considered it beyond economic repair. Mr E was offered £3,927.72 less his policy excess, in settlement of his claim.

Mr E wasn't happy. He says as a result of the accident he's been unable to work, he has been unable to afford food for himself or his pets. He says the van was further damaged while it was in storage.

Mr E complained to Zurich; he wasn't happy with the settlement so sent Zurich some adverts for similar vans. He asked for the settlement to be increased. Mr E objected to paying the policy excess since the accident wasn't his fault. He was also unhappy with the storage charges since he didn't think he was responsible for those. Zurich said it was satisfied the settlement was fair and so didn't increase it, it said Mr E was responsible for paying the excess under the terms of the policy, but it did agree to cover the storage costs.

Mr E referred his complaint to this Service. Our Investigator didn't think Zurich had acted unfairly in settling Mr E's claim. She thought Zurich was reasonable in relying on its engineer's report to decide the value and pre-loss condition of the van. She wasn't persuaded by the adverts provided by Mr E. Our Investigator ultimately said she hadn't seen enough to suggest the settlement offer was unreasonable. Because a resolution couldn't be reached 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 E has made detailed points about why he believes Zurich's actions were unfair. I've looked at everything he's said but I don't think I need to comment on each point to reach the right outcome. I've focused instead on what I think are the key issues.

Storage costs

Mr E's van was kept in storage following the accident. This accrued storage charges of £2,640. Zurich intended to deduct the cost of storage from Mr E's settlement. Mr E complained about being charged for the storage costs, so Zurich agreed to waive the charges as a goodwill gesture. And I think that's fair in the circumstances.

Third party contact details

It's clear Mr E wanted to get his van repaired and back on the road as soon as possible. So initially his intention was to claim directly from the third-party. In July 2024 he contacted Zurich in order to make a claim through his own insurer. Throughout the correspondence it appears Mr E changed his mind about whether he wanted to claim directly or through his insurer.

Zurich didn't have contact information for the third-party initially so I can't say it did anything wrong in not providing the information to Mr E. I'm pleased to see it provided the information when it became available.

Excess

The terms of Mr E's policy are clear that he, "*must pay a compulsory policy excess*". It goes on to say, "*there are policy excesses that are in addition to the compulsory policy excess, these include voluntary excesses*". This means Mr E's excess is always payable where he is making a claim on his policy. Terms like these are commonly used in the industry and I think its use is fair and clear here.

The schedule sets out the excess that applies to any claim made on the policy – it shows £250 compulsory excess, plus £250 voluntary excess for accidental damage.

The claim notes confirm Mr E was told he had to pay his excess since he was claiming for damage to his van on the policy. The email from Zurich dated 9 July 2024 confirms, "*you have a £500 policy excess (£250 Compulsory Excess and £250 Voluntary Excess)*."

Motor policies usually have an excess which is agreed before the policy is taken out. It is the first part of a claim that the consumer has to pay and is an 'uninsured loss', which means it isn't covered by the policy. Therefore, I can't say it's unfair for Zurich to deduct the excess here, and having checked the policy, I'm satisfied the amount it is charging is correct. If Zurich recovers the excess from the third-party it may refund Mr E if the policy allows. And so, I'm not upholding this part of the complaint.

Vehicle Valuation

Mr E's van was declared a total loss. His policy says that in the event of a total loss the most it will pay in settlement of the claim is the *market value* of the van. This is defined in the policy terms as;

"The cost of replacing you vehicle with another of a similar make, model, age, mileage, and condition as at the time of the loss or damage".

Zurich offered £3,272.10 in settlement of the claim. This was based on the following valuation guide price.

- £4,575

The initial settlement included a reduction for the pre-accident damage to the van. Mr E claimed the van had been further damaged by the salvage agents following the accident, and Zurich agreed. Following this, the reduction to the settlement applied for the damage to the front of the van (which was agreed to have been caused by the salvage agents during the loading of the van) was not deducted from the settlement. And I think that's fair.

Mr E isn't VAT registered and because his van was a commercial vehicle, Zurich applied 20% to the value. This meant the settlement was increased to £3,927.72 excluding the excess.

Mr E didn't agree with the valuation, so Zurich instructed a second engineer to inspect the vehicle and provide a further report. Since Mr E wasn't happy with the valuation I think it was appropriate for Zurich to obtain a second opinion. The second engineer agreed the valuation of £3,927.72 was fair and so Zurich didn't increase the offer.

Mr E remained dissatisfied with the settlement, so Zurich asked for further information in respect of the van. It asked for documents such as the purchase receipt, service history, invoices for additional work, images of the vehicle prior to the incident, and any other supporting evidence.

Zurich considered the information provided and said none of the invoices could be used to justify an increase in the settlement offer. It said the evidence it had from two engineers showed its settlement offer was fair.

Mr E says the settlement isn't sufficient to replace his van with a similar one, or to carry out the necessary repairs. He provided adverts for vans listed on the open market for sale from £9,500 to £11,500. Zurich didn't agree the vehicles were comparable as the mileage on both were less than that of Mr E's. Having reviewed the adverts, I don't think the vans were comparable to Mr E's; they have a much lower mileage than his and they appear to be in better condition to his van. So, I don't consider these adverts persuasive in demonstrating they are a fair market value for Mr E's van.

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 also consider any other available information.

When offering settlement Zurich relied on the valuation from the engineers. While Zurich used one guide and the opinion of two engineers, this isn't the starting point for how we look at valuation complaints. In order to ensure the policyholder isn't caused any detriment, the insurer needs to evidence any valuation lower than the highest one returned by the available guides is 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 valuation.

I have checked the valuation guides we normally use; this produced the following valuations;

- Guide A £2,325 excluding VAT
- Guide B £3,075 excluding VAT
- Guide C £3,074 excluding VAT

Based on all the information I'm satisfied the settlement offer is above the highest guide valuation and so is a fair offer in all the circumstances.

Pre-loss condition

Mr E has provided evidence of work he has had done on his van to show the van was in good condition at the time of the accident. And he says he intended to carry out some repairs on the van when the accident happened.

Zurich's engineer considered the pre-accident condition of the van to be poor. It noted the corrosion, faded paint and blemishes to most body panels. I've reviewed the photographs of the van, and the report, and I consider the comments largely in line with what I've seen.

Existing damage will often lower a vehicle's market value. And given the condition of the van at the time of the accident I think it's fair for Zurich to make a reduction. I say this because the report refers to 'deep seated corrosion to body panels. The paint work was found to be faded and lacking lustre'. This Service's general approach when estimating the cost of repairing the pre-accident damage is to divide the repair cost figure by two and deduct it from the settlement. This is what Zurich has done here and so I think that's reasonable.

Conclusion

The market value Zurich needed to pay was for a similar van with similar mileage and condition. So, Zurich was entitled to take into account damage that was already present when the accident happened. So, I don't think Zurich has treated Mr E unfairly and the valuation was reasonable.

My final decision

For the reasons explained I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 7 November 2025.

Kiran Clair
Ombudsman