

The complaint

Mr B has complained about the way his commercial vehicle insurer, Nelson Insurance Company Ltd ('Nelson'), dealt with a claim he made on his policy. He also says the offer it made him for the market value of his car was too low.

What happened

In May 2024 Mr B was involved in a non-fault accident with a third party. The third party didn't admit liability until later and so Mr B made a claim on his own policy with Nelson.

Nelson asked Mr B to provide photographs of the car so it could assess the damage. It said, from the photographs, it seemed the car would be a total loss and instructed an engineer to inspect it. In July 2024 it confirmed the car was a total loss and said the engineer found further damage during the inspection. Nelson said it was a category N (non-structurally damaged) salvage which meant it could be repaired and put back on the road.

Nelson asked Mr B to provide documents such as his taxi license so it could proceed with a valuation. Mr B said that despite providing this a number of times, Nelson kept asking for it again and so he complained.

In September 2024, Nelson offered Mr B £1,525 for the market value of his car less a £250 deduction for pre-existing damage. Mr B didn't agree and considered the offer to be too low. He said that in order for him to replace his car and to be able to continue to use it for his work as a taxi driver, which is what he did with his older car, he would have to spend around £11,000.

Mr B said he was also not able to work between July and September 2024 and wanted to be compensated for his loss of earnings. Nelson referred him to a claims management company who would arrange a credit hire vehicle for him as well as help him claim his loss of earnings from the other side. Mr B said he didn't agree with the credit hire terms, so he didn't agree to go into credit hire.

In November 2024 Nelson increased the valuation offer to £2,200 and in March 2025 it increased it again to £2,500 and said it wouldn't make any deductions for pre-existing damage.

Mr B brought his complaint to our service in March 2025. He wanted to be compensated for his loss of earnings and was also unhappy Nelson didn't let him retain the salvage. He said this meant he had to buy a replacement car which was a lot more expensive than his previous car. He added that his taxi plate and front grill were missing from the car when he went to collect personal items from the salvage yard.

In May 2025, while the complaint was with us, Nelson offered to pay Mr B a further £94 and £150 as a goodwill gesture bringing its offer to a total of £2,744.

One of our investigators reviewed the complaint and didn't think Nelson acted fairly. Our investigator thought its final offer of £2,774 was fair and reasonable but asked it to add interest on this amount from the date the claim was accepted, two months after it was made. Our investigator didn't think Nelson had to compensate Mr B for his loss of earnings and noted he had rejected the credit hire vehicle. Our investigator also thought Mr B should have been given the option to retain the salvage. She acknowledged that he had to buy a replacement vehicle and said this caused him a lot of distress and inconvenience for which Nelson should pay him £600 compensation. Our investigator also asked Nelson to compensate Mr B for the loss of his taxi licence but not the grill as this was already part of the valuation of the car. Mr B later confirmed he was provided with a replacement licence free of charge.

Nelson didn't agree with our investigator and asked for an ombudsman's decision. It said it asked Mr B numerous times for his bank details so it could make an interim payment to him but he didn't provide them so it didn't agree it should pay interest for the period our investigator said. It added that it didn't agree to Mr B retaining the salvage for safety reasons.

Mr B also made some comments. He said the hire vehicle was only offered to him for a month. He added that if he had been allowed to retain the salvage, it would have only cost him around £2,500 to repair his existing vehicle which is a lot less than what his new vehicle cost.

Our investigator didn't change her view. She said Nelson didn't explain to Mr B that he could accept its offer as an interim payment and still complain to our service. 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.

The policy

Mr B's policy covers him for, among other things, loss of or damage to his vehicle. The policy says the most the insurer will pay is the market value of the vehicle and its fitted accessories at the time of the damage, not exceeding the last estimated value the customer declared to Nelson. It defines "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".

I appreciate Mr B said that his local council changed the eligibility criteria for private hire cars

which meant he had to replace his old car with a much newer and more expensive car. He said this would've cost around £11,000 so the offers made to him by Nelson were not enough to enable him to replace his damaged car. I understand Mr B's concerns; however, Nelson is only required to offer the market value of his car which means, as I said above, the cost of replacing it with a similar one. I appreciate that if he did, he wouldn't be able to use it as a taxi because of the council's changes. But this is down to the council and not something I can hold Nelson responsible for. It follows that I think it is fair and reasonable for Nelson to pay the market value and not the overall cost of Mr B replacing his old car with a newer model.

The valuation

Our service has an approach to valuation cases like Mr B'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.

Nelson used three motor guides which produced values of £3,010, £2,290 and £2,650 respectively. I've also reviewed the valuations our investigator obtained. Only two of the guides returned values and those were for £1,817 and £3,200. Nelson made an overall offer of £2,744.

Nelson provided two adverts for cars on sale for £2,650 and £1,550 respectively. They were both for cars with similar mileage and the £2,650 car was two years newer than Mr B's.

Mr B also provided his own adverts, but they were all for cars with lower mileage and which were also a lot newer than Mr B's. So, I didn't find them to be persuasive evidence of Mr B's car's market value as those cars were not similar to the one which was damaged.

Under the policy, Nelson will pay the market value of the car immediately before the incident based on a car of similar specification, age etc. And though we may sometimes consult adverts we don't often find them as persuasive as the guides. And this is because the price a car is listed for is more often than not, not the price it sells for which is often negotiated down. But adverts can help determine whether a customer can replace their car with a similar one for the amount offered to them by the business.

Looking at the valuations produced I am persuaded that Nelson's offer of £2,744 is fair and reasonable. I say this because Nelson has provided other persuasive evidence in addition to the guides to show that Mr B is able to replace his car for a similar car for that amount.

The salvage

It is also a condition of the policy that should the vehicle be declared a total loss and Nelson makes a payment on that basis, the vehicle becomes its property unless it agrees otherwise.

Nelson said it didn't agree to Mr B retaining the salvage due to safety concerns in the event of the car going back on the road without being repaired to a good standard. Though the policy says the salvage will become its property after settlement, Nelson has the discretion, under the policy, to agree otherwise and to allow its customer to keep the salvage. We also consider it to be good industry practice for insurers to agree to this if a customer wishes to retain the salvage.

I am not persuaded that the reasons provided by Nelson show that it acted fairly and reasonably in not allowing Mr B to keep the salvage in the specific circumstances. I think the responsibility will have rested with Mr B and the repairers to ensure that the car was safe to go back on the road. And had Mr B retained the salvage, Nelson would have deducted the salvage value from any settlement and the vehicle would have remained Mr B's and never become its property.

Mr B says that not being able to repair the salvage caused him significant losses because he had to buy a much newer and more expensive car to keep working as a taxi driver. While I understand Mr B's position, Nelson isn't responsible for the council's decision to change its criteria. So I don't think Nelson should cover those extra costs, as they don't reasonably flow from its actions. However, I do think Nelson's decision caused Mr B avoidable inconvenience and stress. Mr B explained that he had to borrow money from family to replace his car and found the situation very stressful. Nelson should compensate Mr B for this inconvenience.

I also note that Nelson's offer was made in May 2025, a year after the accident and that its previous offers were much lower and most likely ones I would have considered unreasonable for the market value of Mr B's car. I think this delay in making a reasonable offer has added to Mr B's distress.

For the reasons above, I think Nelson should pay Mr B £600 compensation for the distress and inconvenience it caused him by its delays and the refusal to let him retain the salvage.

I also think Nelson should pay interest on the settlement it pays Mr B from the date it accepted the claim to the date it pays him. Nelson said it shouldn't have to do this because it asked Mr B for his bank details which he never provided. It was therefore unable to make an interim payment. As our investigator said, and from what I have seen, Nelson did not explain to Mr B that he could accept its offer as an interim payment and still complain to our service. Mr B may have believed that accepting the interim payment would settle his claim, which he didn't want.

Loss of earnings

This isn't something that is covered under the policy, so it is an uninsured loss and something Mr B may be able to claim from the at-fault party. I also can't see that Nelson delayed declaring the car a total loss and by the time it made its first offer, Mr B had returned to work. Mr B said he didn't agree with the credit hire terms but those were provided by a company which is separate to Nelson and so not something I can hold Nelson responsible for.

My final decision

For the reasons above I have decided to uphold this complaint. Nelson Insurance Company Ltd must pay Mr B £600 compensation for the distress and inconvenience it caused him. It must also pay him £2,744 for the total loss of his vehicle, if it hasn't already, plus 8% simple interest per year from the date it accepted his claim to the date it pays him. Settlement should be paid subject to the policy terms and conditions though I note Nelson said that the excess has been waived and there is no premium outstanding that it needs to deduct from this settlement.

Nelson Insurance Company Ltd must pay the compensation within 28 days of the date on which we tell it Mr B accepts my final decision. If it pays later than this it must also pay interest on it from the deadline date for settlement to the date of payment at 8% a year simple.

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 B how much it's taken off. It should also give Mr B 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 B to accept or reject my decision before 20 January 2026.

Anastasia Serdari
Ombudsman