

The complaint

Mr R has complained about the way his claims have been handled by Zurich Insurance Company Limited and the amounts it has offered in settlement of them.

Mr R is represented by Mr A.

Any reference to Zurich includes its agents.

What happened

The details of this complaint are well known to both parties, so I will not repeat them again here. The key facts were set out by our investigator in her assessment of Mr R's complaint and are not in dispute. I will instead focus on giving the reasons for my decision.

I issued a provisional decision on 25 November 2025 in which I set out what I'd provisionally decided and why as follows:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The vehicle valuations

There are only three valuations that I need to consider, as Mr R's claim for his van was eventually settled by the third party's insurer.

Our investigator thought the valuations used by Zurich to settle Mr R's claims were fair and set out why in her assessment. Mr A doesn't agree. The main points he has made in support of his view are as follows:

Our published approach to disputes about vehicle valuations where a vehicle has been stolen or written-off states that we only expect insurers to use the industry recognised guides as a starting point for valuing vehicles. And we also expect them to take into account other relevant evidence, such as adverts for similar vehicles. And Mr A doesn't think the investigator has placed enough weight on the adverts he has provided to demonstrate that Mr R's vehicles would have cost a lot more to replace than the guides suggest at the point they were lost or damaged. He's also suggested that the only guide that produced a valuation for Mr R's BMW is flawed because of the way it determines values. And that the adverts he has provided show the valuations Zurich has used are wrong.

I think it is worth me saying that my starting point for considering any dispute concerning the valuation used by an insurer to settle a total loss claim for a motor vehicle is the policy wording. Mr R's policy states the following:

If the Vehicle, or its Accessories, is lost, stolen or damaged, We will choose whether to:

- (a) Pay for the Vehicle to be repaired*
- (b) Replace the Vehicle*

(c) Pay in cash for the cost of the loss or damage to the Vehicle

Our liability in respect of the Vehicle shall not exceed the Market Value immediately prior to such loss or damage or Your estimate of the value notified to Us, whichever is the lesser.

Market Value is defined as:

The cost of replacing the Vehicle or Trailer with one of a similar age, type, mileage and condition immediately prior to the loss occurring.

This means that the maximum Zurich will pay in settlement of a claim for any one vehicle is its market value or the estimated value shown in the policy schedule. The estimated value for Mr R's BMW M3 on the schedule issued in May 2023 was £15,000. And the estimated value for his Toyota Land Cruiser was £25,500 on the same schedule. I've assumed the estimated value for his Audi at the time it was damaged was £10,000, but I have not seen the schedule that was provided when it was added to the policy. However, the schedule at renewal in May 2024 shows a value of £10,000. Obviously, the amount payable will be subject to the deduction of any excess applicable.

As Mr A has pointed out, I do expect insurers to use the insurance industry recognised guides for valuing vehicles as a starting point. However, while these are often also referred to as trade guides, only two of them use what could be described as trade values as a starting point. In fact, what they actually use as their starting point is what motor traders have been paying to buy vehicles at trade auctions. They then mark these values up to reflect what the trader is actually likely to make when selling the vehicle in the retail market. And one of them actually has a mechanism in place to check the figures it gets against retail selling prices. The other two guides use data gathered on advertised prices as their starting point. So, in effect, all the guides, while sometimes providing a trade value as well, provide the likely retail replacement cost of a vehicle of a particular make, model, age and mileage. And this is the figure we expect the insurer to use. And it is also why we think the guides are a good indication of the likely selling price of vehicles.

And, while we do expect insurers to take into account adverts, we only expect them to do this to make sure the retail value they've got from the guides is fair. If they haven't done this then we would normally require them to settle the claim using the highest guide value, as we consider this to be the safest way of ensuring the customer doesn't lose out.

This means that insurers need to be able to provide examples of vehicles selling for the market value they've arrived at that were actually for sale in the retail market at the point the insured vehicle was lost or damaged. If they have done this then we will normally say their market value is fair. This is because they will have shown it would have been possible for the customer to replace their car for the value they've used. This doesn't mean that it won't be possible to find numerous adverts for similar vehicles for sale at more than the insurer's valuation. This will nearly always be possible due to the nature of the market. But this doesn't in itself mean that the customer wouldn't be able to replace their vehicle for the market value the insurer has used.

I think it is important for Mr A to understand this, as I know he thinks that because he has provided numerous examples of what he considers to be like for like vehicles for sale at a lot more than the guide values and more than the market value Zurich has used, this shows Zurich's valuations are wrong. But I do not consider that adverts showing there were some similar vehicles for sale for a lot more than the insurer's valuation automatically means the insurer's valuations must be wrong.

I think it is also worth me saying that if a vehicle has been modified from the standard

specification, the insurers valuation needs to reflect this. But our experience suggests that most modifications make very little difference to the value of a second-hand vehicle. Obviously, some modifications, like the extensive ones made to Mr R's Toyota Land Cruiser, make more difference, but most less extensive modifications don't make as much difference as people think they are going to make.

The reality is that it is often difficult to find examples of vehicles advertised for sale with the same modifications as the insured vehicle. And this makes it very difficult for both insurers and us to determine what difference the modifications would be likely to make to the retail sale price. But, generally, I would expect even modifications that might have cost a great deal when they were done, to make only a small difference to the retail sale price of a vehicle in the longer-term.

Turning now to the market values used by Zurich for each of Mr R's vehicles.

BMW M3

Zurich eventually offered to settle Mr R's claim by using a market value of £14,688, inclusive of VAT. And it has provided two adverts for similar vehicles for sale at the point of loss for £13,495 and £13,304. These vehicles had roughly the same mileage as Mr R's vehicle and one was the same colour. I am satisfied that these demonstrate Mr R could have replaced his vehicle for £14,688 if he'd shopped around. Of course, this doesn't mean there weren't other similar vehicles that would have cost him a lot more, as evidenced by the adverts provided by Mr A from some time after the date of the loss. Although, most of these are not for vehicles from the same year as Mr R's vehicle or with the same mileage. There is only one from the same year and with roughly the same mileage at £22,500. And there are three 2004 models with a higher mileage at between £19,995 and £25,461. But the fact there were similar vehicles advertised for more than £14,688, doesn't in itself mean Mr R couldn't have replaced his vehicle for £14,688.

I appreciate these adverts and guide valuations are not for vehicles with the same modifications as Mr R's vehicle. But, as I've said, I do not think the modifications Mr R had on his vehicle would have made that much difference to the selling price. And, bearing in mind Zurich provided two examples of similar vehicles available for well under £14,688, I think, even with the modifications, this would have been enough for Mr R to replace his vehicle.

In the circumstances, I'm satisfied the £14,688 used by Zurich is a fair market value for Mr R's BMW.

Mr R has decided to retain the BMW and he has recently found out that it has been damaged whilst in the possession of Zurich storage agent. Zurich has said it will deduct a lower salvage value from the settlement amount due for the BMW because of this. If Mr R isn't happy with this, he will need to raise a new complaint with Zurich about it. And if he is not happy with its response to it, he can then refer it to us. I cannot however consider it as part of this complaint.

Toyota Landcruiser

Zurich has based its claims settlement offer on a market value of £24,000, inclusive of VAT. The guides provided values ranging from £12,295 to £16,628. And Zurich has provided adverts for what it has suggested are similar vehicles for sale at the time of the loss. However, none of these adverts are in my opinion like for like examples. I say this because they are all base models without the extensive modifications added to Mr R's vehicle and

none of them are for vehicles of the same year and with the same mileage as Mr R's vehicle.

And I think Mr A has provided good evidence to show that the modifications to Mr R's vehicle were extensive and would make a significant difference to the cost of replacing it. I say this because he has provided two adverts for more recent models with a difference of around £45,000 due to modifications similar (though not identical) to the modifications to Mr R's vehicle. Mr A has also provided an example of a like for like base model with roughly the same mileage advertised for sale at £24,990. He's also provided a copy of a message exchange with someone who sold a similar vehicle with the same modifications, which was three years older than Mr R's with a higher mileage, which shows it sold for £71,000 in 2025.

So, as I see it, Zurich has not provided any compelling evidence to show its valuation of £24,000 is appropriate because it has not provided a single advert for a similar vehicle with the extensive modifications on Mr R's vehicle for sale at this figure. But I think Mr A has provided at least some evidence to show that it would have cost a lot more than £24,000 to replace Mr R's vehicle at point of loss. But I do not think a message exchange showing what appears to be a similar vehicle, but without much detail, sold for £71,000 is enough in itself to persuade me £71,000 is the correct market value for Mr R's vehicle. But I've taken into account this evidence and the fact it seems even a base model would have cost £24,990. And, bearing in mind, the apparent difference the modifications would have made, I think it is reasonable to say a value at a mid-point between £24,990 and £71,000 would be fair.

But – as I've set out above - the terms of Mr R's policy state that that the maximum Zurich will pay in settlement of a claim for any one vehicle is the estimated value of that vehicle provided by the policyholder and shown in the policy schedule. And, at the time Mr R's Toyota Land Cruiser was damaged the estimated value shown on the policy schedule was £25,500.

However, I would only conclude it is fair for an insurer to rely on an estimated vehicle value in a schedule, even if it is clearly highlighted that it is the maximum payment they will make in respect of a claim, if they can demonstrate that the premium was significantly lower because of the lower estimated value. That is they would have charged significantly more if a much higher estimated value had been provided. And, despite us asking Zurich to demonstrate this was the case with Mr R's Toyota Landcruiser, it has not done so. So, I do not consider it would be fair and reasonable for me to allow Zurich to limit the amount payable for this vehicle to £25,500.

Bearing this in mind and also considering what I've said above about the difficulty in establishing the correct market value, I've provisionally decided it would be fair and reasonable for me to require Zurich to use a market value at a mid-point between £24,990 and £71,000 to settle Mr R's claim for his Toyota Landcruiser. This is £48,000. So Zurich will need to pay the difference between this and what it has paid Mr R for his Toyota Landcruiser, i.e. £23,010. It will also need to add interest to the extra amount due at 8% per annum simple from one month after Mr R submitted his claim to the date of payment. This is to compensate him, for the late payment of this amount. And one month reflects the time I think it should take an insurer to consider a claim like Mr R's and settle it.

Audi A8

Zurich placed a value on this vehicle of £4,300. The guides provide values of between £3,593 and £4,560 for this vehicle. And Zurich hasn't provided any adverts which I think support a valuation lower than the highest guide. And it's not provided any explanation as to why it considers its valuation of £4,300 is fair. And the second engineer who valued the vehicle said the market value was £4,500. If anything, the adverts Zurich have provided support using the highest guide value. I say this because the two that are actually for like for

like vehicles both have a mileage of nearly 20,000 more than Mr R's Audi, but still show an advertised price of £4,250. I have also considered the adverts Mr A has provided, but none of these are for similar vehicles with the same year of manufacture and the same mileage. So, I consider that the appropriate market value for Mr R's Audi is £4,560. And this means Zurich need to pay him a further £260 in settlement of his claim for it. Zurich will also need to add interest to this amount at 8% per annum simple from one month after Mr R made his claim for the Audi to the date of payment.

The DVLA fine incurred for the Audi A8

I agree with our investigator's view on this point. This is because Mr R had said he intended to retain this vehicle. Therefore, Zurich's decision to leave it in situ was reasonable. And it was Mr R's responsibility to move it off the road if it wasn't taxed.

Zurich deducting the extra premium due for the modifications to Mr R's BMW

I also agree with our investigator on this point. It seems the modifications were not noted on the schedule Zurich issued in 2023 for the policy at the renewal prior to Mr R's claim. And then they were added at some point after the claim. It does seem Mr R declared them prior to renewal in 2023 and that their omission may have been due to an issue with his broker's system. But this was not Zurich's fault. And, as a result of the modifications not being noted, it charged Mr R less than it should have done in 2023. So, I think its decision to deduct this amount from the settlement amount due for Mr R's BMW is fair.

The service provided on the claims

I agree with our investigator for the same reasons she set out, that Zurich could have done a much better job of handling Mr R's claims. It asked for information to make sure Mr A had the authority to deal with them very late in the day in what I think was quite a heavy handed manner. It also made the process for Mr R proving he was not VAT registered quite hard. And it asked for information I don't think it really needed. With all this in mind I agree with our investigator that Zurich should pay Mr R £500 in compensation for the inconvenience this caused him. Although, Mr A should bear in mind that only Mr R is entitled to compensation for distress and inconvenience, as opposed to both him and Mr R.

I also think that Zurich should have paid the amounts it offered to Mr R in settlement of his claims within a month for the reason I have already mentioned when commenting on his claim for his Toyota Land Cruiser. So, it will also need to pay interest on the amounts it offered from one month after Mr R made his claims to the date of payment.

My provisional decision

For the reasons set out above, I've provisionally decided to uphold Mr R's complaint about Zurich Insurance Company Limited and require it to do the following:

- *Pay Mr R a further £23,010 in settlement of his claim for his Toyota Land Cruiser. It must also pay interest at 8% per annum simple on this amount from one month after Mr R made his claim to the date of payment.*
- *Pay Mr R a further £260 in settlement of his claim for his Audi A8. It must also pay interest at 8% per annum simple on this amount from one month after Mr R made his claim to the date of payment.*
- *Pay Mr R £500 in compensation for distress and inconvenience.*

- *Pay interest at 8% per annum simple on the amounts it offered in settlement of Mr R's claims from one month after he made the claims to the date of payment.*

I gave both parties until 9 December 2025 to provide further comments and evidence in response to my provisional decision.

Zurich has not provided any further comments or evidence.

Mr A has provided the following further comments on behalf of Mr R:

He has asked that I reconsider the market value of £48,000 that I said should be used to settle Mr R's claim for his Toyota Land Cruiser. He's referred to the fact that he has provided a quotation for the production of the body kit the vehicle had on it at around £180,000. And an advert for a similar vehicle that was three years older listed for sale at £71,000. He thinks these pieces of evidence demonstrate my suggested market value of £48,000 is too low. He thinks £102,500 is a fair valuation and is far below the rebuild or replacement cost of Mr R's Land Cruiser. And this is fair, as it is in between the cost of a base level replacement and the cost of the body kit.

He's mentioned that Zurich hasn't provided any evidence that the premium was lower because of the value for the Land Cruiser on the policy schedule of £25,500. And he believes denying full coverage would be inconsistent with the policy wording and Zurich's duty to treat Mr R fairly.

He's suggested that Mr R's BMW was very rare because it was white with a red leather interior and that this would affect the cost of replacing it. He's said using examples of similar vehicles of other colours to justify Zurich's valuation is unfair and inconsistent with our normal approach to valuation disputes of using closely matched examples to ensure the insurer's valuation is fair.

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.

Having done so, my view on the fair and reasonable outcome to Mr R's complaint remains the same as set out in my provisional decision. I'll explain why.

BMW M3

I have noted Mr A's comments and agree that the colour can influence the cost of certain vehicles. And it may well impact the cost of replacing Mr R's BMW. However, one of the examples provided by Zurich that I mentioned in my provisional decision is for a vehicle the same colour as Mr R's. And, bearing this in mind, and the other example provided by Zurich, I remain satisfied that Mr R could have replaced his BMW for £14,688, even allowing for the fact it had been modified. So, I'm satisfied that Zurich has used the correct value to settle Mr R's claim for this vehicle.

Toyota Land Cruiser

I have noted Mr A's comments about the quotation he has provided for a replacement body kit, but I do not find this to be persuasive evidence. I say this because it is a quotation for a specialist company to design and make a bespoke body kit, which is clearly a very specialist

job. And, in my opinion, not the same in principle as the body kit that Mr R had added to his vehicle. Plus, it does not really help in terms of identifying what it would cost to buy a similar vehicle with the body kit on it. And such vehicles do clearly become available from time to time.

I think the advert for a similar vehicle for sale with the body kit on it, albeit it is three years older, is better evidence of the likely replacement cost of Mr R's vehicle. But I do not consider this in itself enough to persuade me that it would actually have cost Mr R around £72,500 to replace his vehicle at the point it was damaged. I say this because the advert is not very detailed and it is not clear from Mr A's exchange with the seller what the vehicle actually sold for.

I am also mindful of the fact that – as far as I can see - Mr R didn't query the value of £25,500 in the schedule for his Land Cruiser until after it was damaged, which suggests to me he was not concerned about it. And, while Zurich has not shown this value affected the premium, it would actually be in line with the policy terms to limit the amount payable for Mr R's Toyota to this amount.

In view of what I've said, I remain satisfied that using a market value of £48,000 is the best way to ensure Mr R receives the right settlement amount in response to his claim for his Toyota Land Cruiser. And I do not find Mr A's suggestion that Zurich should use a market value of £102,500 persuasive.

Mr A hasn't commented on the other points I addressed in my provisional decision, so I see no reason to alter my conclusions on these issues.

Putting things right

For the reasons set out above and in my provisional decision, I have decided to uphold Mr R's complaint about Zurich and require it to do the following:

- Pay Mr R a further £23,010 in settlement of his claim for his Toyota Land Cruiser. It must also pay interest at 8% per annum simple on this amount from one month after Mr R made his claim to the date of payment.*
- Pay Mr R a further £260 in settlement of his claim for his Audi A8. It must also pay interest at 8% per annum simple on this amount from one month after Mr R made his claim to the date of payment.*
- Pay Mr R £500 in compensation for distress and inconvenience.**
- Pay interest at 8% per annum simple on the amounts it offered in settlement of Mr R's claims from one month after he made the claims to the date of payment.*

* Zurich must tell Mr R if it has made a deduction for income tax. And, if it has, how much it's taken off. It must also provide a tax deduction certificate for Mr R if asked to do so. This will allow Mr R to reclaim the tax from His Majesty's Revenue & Customs (HMRC) if appropriate.

** Zurich must pay the compensation within 28 days of the date we tell it Mr R 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.

My final decision

My final decision is that I uphold this complaint. I require Zurich Insurance Company Limited

to do what I've set out above in the 'putting things right' section.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 15 January 2026.

Robert Short
Ombudsman