

The complaint

A limited company, which I will call T Ltd in this decision, has complained about the handling of a claim under its motor trade insurance policy with Arch Insurance (UK) Limited.

Mr C, as Director of T Ltd, has brought the complaint on its behalf.

What happened

T Ltd is a motor trader. In November 2024, seven of T Ltd's vehicles were damaged when a third-party crashed into its premises. T Ltd made a claim under its policy with Arch for business interruption losses and for the damaged vehicles.

Arch accepted the claim and appointed loss adjusters. T Ltd complained about the handling of the claim, in particular the time taken and the settlement offered for one car that was written off. In particular, Mr C says:

- Arch incorrectly dealt with the claim under the road risks rather than property damage section, which has led to reduced settlement.
- Arch paid what it says was the trade price for one car, which was written-off (£15,000 which it then increased to £18,045), instead of the retail market value (£21,000); and also refused to pay the costs it had incurred in getting the vehicle ready for sale (including new tyres) of just over £1,000, which forms part of its value. T Ltd paid £18,300 for the car and spent over £1,000 preparing it, so should be paid at least that.
- Arch refused to pay fair storage costs for the damaged vehicles, which were to be repaired by T Ltd. It had to store them on its premises for months due to Arch's delays. They couldn't stay on the forecourt, so they had to be housed in the service area which meant space was tight, and this disrupted daily operations. If any other garage was carrying out the repairs, they'd be entitled to be paid for storage.
- Arch took over two months to declare another car, which had been sold, a total loss and T Ltd had to provide the customer with a hire car at £50 per day while waiting for Arch to settle the customer's car value.
- Arch deducted multiple excess payments incorrectly, which should be reimbursed. It is not seeking retail value for the case but costs indemnity. The guides only set auction hammer price, not the unavoidable additional cost that made the vehicle ready and this ought to be reflected in the indemnity.

Mr C has also said that Arch should compensate him for the time he has had to spend chasing Arch in regard to the claim and the stress involved.

Arch says the claim was correctly considered under the non-road risks section of cover and that it has fairly settled the claim. Arch says the value of £18,045 was fair. It does not agree to pay the preparation costs for the vehicle required to make it roadworthy.

Arch accepts it took a second excess in error but this was refunded and it apologised for the error. It also confirmed that it was seeking recovery from the third-party driver that caused

the accident and would seek recovery of the first excess too. Arch also offered £250 for the inconvenience of storing the damaged vehicles but said, as no costs were incurred for storage, it couldn't pay anything more; and offered £200 compensation for occasional minor delays.

One of our Investigators looked into the matter. The Investigator said it was clear the claim fell under the property damage section of the policy, as the road risks section excludes cover for cases while on the premises and there is no non-road risks section. However, he did not think that it made any difference to the settlement amount. The Investigator considered that the offer made for the car written-off was fair, as the policy provides for the replacement trade value, rather than the retail price that T Ltd would sell the car for. He said the £18,045 offered was within the range of values provided by the motor trade price guides and so was not unfair. The Investigator also considered the offer for storage and compensation were reasonable.

T Ltd did not accept the Investigator's assessment, so the matter was referred to me.

Having considered the complaint, I did not agree with the Investigator's assessment. I provisionally decided that the fact T Ltd had paid £18,300 for the car that was written off shortly before the incident was a good indication of its trade value, notwithstanding the guide prices, and that the cost of some of the work it had done on the car (totalling £951.76) should also be paid, as I considered that would be the cost to T Ltd of replacing that car with one in the same condition. I also considered that Arch should pay an additional £150 for the inconvenience of having to store the damaged cars.

Arch agrees to pay the additional £150 for inconvenience on this particular occasion, but does not agree with the rest of my provisional findings, so I will now consider the matter again. Arch has made a number of comments in response. I have considered everything it has said and will summarise the main points below:

- It provided a link to a decision on another case in which a colleague determined that a new gearbox did not alter the replacement value of a car.
- The invoices T Ltd has provided do not correspond with the costs it was claiming.
- The checks done on the car would be ones anyone would be required to do.
- It also provided some adverts for the same make, model and age car. As these are retail prices they would be higher than trade valuations. They support that it has made a fair offer.
- If this car needed the amount spent on it as claimed to bring it to a saleable condition, then it calls into question whether there should have been a deduction in the settlement to reflect the condition of the car.

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.

Arch said in its final response that the claim had been dealt with under the non-road risks section of the policy but there is no such section in T Ltd's policy. I think it is clear the claim was covered under the property damage section, which covers any vehicle which belongs to T Ltd or it is offering for sale and is its responsibility. However, I do not think this impacts the value of the claim.

The property damage section sets out how Arch would settle a claim for a new car but for a car older than a year it does not specify how it would assess the value. The section says: *"The amount payable in respect of Stock and or all other Property Insured shall be the value at the time of Damage or at Our option the cost of reinstatement or replacement of such Property Insured or any part of it."*

I can understand why Mr C has said T Ltd has lost the potential profit from the retail value of the car but this would be something to be claimed under the business interruption section of the policy. Given the above, I think that T Ltd should be indemnified for the value of the car at the time of the loss.

As the Investigator has said, we would usually look to the motor price guides to assist with the valuation of cars. We usually find these guides persuasive because they are based on nationwide research and actual sales figures. However, I do not agree that this is a fair settlement in the circumstances of this claim. As stated, the guides are based on actual sale prices, which would include auction sales, for cars of the same make model age, similar mileage and broadly similar body condition. These figures are then averaged, so some cars would have been sold for more and some for less than the figure given in the guide.

I also note the retail adverts provided by Arch. They show a range of asking prices, some lower and some higher, than the offer it has made to T Ltd. It says they are for lower mileage cars but the mileage is not shown in the screenshots provided. I have taken these adverts into account but, in this case, we also have other evidence of the actual trade value of the particular car in question because just three months before the loss, T Ltd purchased the car at auction for £18,300.

While we would not always consider that the value of a car is the purchase price, it seems to me that this was purchased within a short time of the loss and, as T Ltd is a motor trader, the price it paid would have fed into the motor trade price guides relied on by Arch but the price T Ltd paid is reliable evidence of the actual trade value of this particular car at the time. Overall, it would seem to me that this is a better indication of the insured car's actual value at the time of loss than guide book prices.

In addition, T Ltd carried out some improvements to car. While again, we would not always count costs of maintaining or repairing a car towards the value of the car, in the particular circumstances of this case I think it is reasonable to take account of some of the items T Ltd paid for.

T Ltd said it replaced the tyres, had the alloys refurbished and the bumper repaired. It initially said this came to a total of £1,002.30 (four new tyres fitted £342.30 plus VAT, alloy wheel refurbishment £260 plus VAT and front bumper chips repaired £400).

I asked T Ltd to provide the invoices for these costs and it provided one for the bumper - £400 no VAT charged, the alloy refurbishment £312.00 (which is the £260 plus VAT) and for the new tyres £239.79 (£199.80 plus VAT), which total £951.79.

Arch questioned the entry on the invoice from the tyre supplier but this is the brand name of the tyres. Arch also says the invoices don't correlate with the work initially claimed. The initial total claimed of £1,002.30 was not correct because it did not include the VAT on the tyres

and alloy refurbishment. And T Ltd had included its own costs of fitting the tyres and other checks of the car as part of its pre-sales process. I am satisfied that the third-party invoices provided correlate with the work and amount claimed for throughout by T Ltd.

T Ltd also said it had carried out numerous checks and fitting the new tyres, with the work set out on an internal invoice. I determined provisionally that the work T Ltd did on the car, did not add to the intrinsic value of the car. It seems to me that it will likely have to do the same on any replacement car, before it offers it for sale. However, it seems to me that the new tyres and other third-party work T Ltd had carried out would impact the value of the car and the amount T Ltd would have to pay to replace the car with one in the same condition. It means the car was worth more than if the preparation had not been done. I think the value was increased by the work done, so the value was higher than it was when T Ltd bought the car.

Overall, I consider that on the particular circumstances of this case, T Ltd would likely have to spend £18,300 plus £951.76 (*i.e.* £19,251.76) to replace this car with one from another trade supplier in the same condition as it was at the time of the loss. That was the car's value at the time of the loss. I therefore think Arch should pay the difference of £1,206.76 (£19,251.76 less £18,045) together with interest at 8% from the date it paid the interim settlement for this car to date.

I stress this does not create any precedent that a policyholder can expect to be reimbursed for the cost of work done on a car that is subsequently written off but in this particular case, and the particular policy terms relating to how Arch would settle claims under the property section of cover, I think it is reasonable to conclude that the value of the insured car was £19,252.76.

Storage fees and other matters

There were seven damaged vehicles that had to be held at T Ltd.'s premises. Given the amount of time the cars were at T Ltd's premises and the inconvenience this would have caused, I remain of the opinion that a total of £400 (the £250 Arch offered and an additional £150) is reasonable compensation for this. I am pleased to note that Arch has now agreed this, so I won't make any further comment on this point.

I can also see there were some other delays in communications and consider the £200 already offered to be reasonable for this.

My final decision

I uphold this complaint against Arch Insurance (UK) Limited and require it to do the following:

1. pay the difference of £1,206.76 (£19,251.76 less £18,045) together with interest at 8% from the date it paid the interim settlement for this car to date.
2. Pay T Ltd the sum of £400 compensation for the inconvenience caused by having to store the damaged vehicles while the claim was ongoing. (If it has already paid any part of this, it only needs to now pay the remaining balance.)
3. Pay T Ltd the £200 already offered for inconvenience caused by delays, if it has not done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask T Ltd to accept or reject my decision before 15 May 2026.

Harriet McCarthy
Ombudsman