

The complaint

Mr C is unhappy with the settlement paid out by his commercial vehicle insurer, Nelson Insurance Company Ltd ('Nelson'), after his car was declared a total loss. He said he was initially offered an amount which he accepted, but ultimately a much lower amount was paid.

What happened

I issued a provisional decision regarding this complaint last month. An extract from that decision follows:

"In May 2025 Mr C was involved in a multi-car shunt as a result of which his car was rendered a total loss. He claimed on his policy with Nelson who said the pre-accident value was £14,700.

Mr C's car was subject to a finance agreement and, as per the terms of the policy, Nelson was to pay the finance provider first before returning any surplus to Mr C. It wrote to Mr C and said that it would pay the finance provider £19,379.22. Mr C spoke to Nelson over the telephone and it confirmed that the figure was correct. Mr C accepted the settlement.

When the payment to the finance provider was made, Mr C discovered that only £12,931.23 had been paid. Mr C wasn't happy about this and complained. He said that this left an even bigger shortfall between the outstanding finance and the settlement paid by Nelson and it made it harder for him to get finance for a replacement vehicle. This meant he had to rent one so he could carry on working. This cost him £250 per week on top of his outstanding finance repayments.

Nelson accepted that it had made a mistake and paid Mr C £500 compensation for the distress and inconvenience it caused him. It said it had initially given Mr C the correct figure but the mistake was made in an email where it gave the wrong final settlement figure. It added that if Mr C were to provide his own adverts with similar cars it would consider them and should its engineers agree, it would increase the settlement paid.

Mr C provided adverts but those were rejected by Nelson who said the cars advertised had significantly lower mileage than Mr C's.

Unhappy with Nelson's response Mr C brought his complaint to our service. He said that he wanted Nelson to honour the settlement they had reached and pay him the outstanding amount of £6,885.70 plus compensation for the distress and inconvenience it caused him.

One of our investigators reviewed the complaint but didn't think Nelson had to take further action.

Mr C didn't agree and asked for an ombudsman's decision. He said that, on his policy certificate the car was valued at £38,000 and didn't think it was fair Nelson only paid £14,700.

The matter was then passed to me to decide.

What I've provisionally 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.

Nelson's final settlement error

Nelson wrote to Mr C and said the pre-accident value had been assessed at £14,700. It said that the final settlement figure it would pay to the finance company would be £19,379.22, a figure arrived at after deducting the £500 excess and £1,705.95 outstanding premium (later updated to £1,268.77) from the pre-accident value. It also noted that the total outstanding on the finance agreement was £21,585.17.

Nelson ultimately paid £12,931.23 and said the email was incorrect and that the handler had erroneously deducted the excess and premium from the outstanding finance figure rather than the pre-accident value. It acknowledged that the incorrect figure was also confirmed to Mr C over the telephone and said that when Mr C called, he spoke to someone who wasn't the handler who simply read out what was on the letter. Nelson later emailed Mr C with the correct final figure.

I agree that mistakes can happen, and I recognise that this situation has been frustrating for both sides. While I appreciate that Mr C took reassurance from the figure Nelson initially said it would pay towards the finance agreement, I don't think it would be fair or reasonable to say Nelson should be bound by this error—particularly as it consistently maintained that the pre-accident value was £14,700. It should also have been apparent that the £19,379.22 figure was incorrect, as it exceeded the pre-accident value, which is the starting point for the settlement and is then subject to deductions such as the excess.

I also acknowledge Mr C's point that Nelson's mistake made it more difficult for him to obtain finance for a replacement vehicle. However, I think he would have faced this difficulty regardless of the error, because there was always a shortfall between the outstanding finance and the pre-accident value. Asking Nelson to pay an amount that was clearly the result of an incorrect calculation simply to reduce that shortfall wouldn't be fair. For the same reason, I don't think Nelson is responsible for the additional costs Mr C incurred in renting another vehicle.

As I said I can appreciate Mr C's disappointment in realising the settlement figure was significantly lower than the figure he had been given all along. Nelson offered Mr C £500 compensation for the distress and inconvenience it caused him and I think this is fair and reasonable in the circumstances.

I will now go on to consider the valuation provided by Nelson.

The valuation

Like most motor insurance policies, Mr C's provides cover in the event there is loss of or damage to his car. The policy states that the most Nelson will pay is the market value of the vehicle and fitted accessories at the time of the damage not exceeding the last estimated value declared to the insurer. The policy 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 of your estimated value last declared to us; whichever is the lower amount but not exceeding the purchase price paid by you."

Our service has an approach to valuation cases like Mr C'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 sales prices.

Nelson consulted three guides which produced values of £14,700, £17,486 and £15,595. Nelson deducted £2,786 for the car's condition from the £17,486 valuation to bring it to £14,700. And also £895 for the same reason from the £15,595 to again bring it to £14,700. No deductions were made to the £14,700 valuation. I've also reviewed the valuations our investigator obtained using two of the same guides which returned values of £14,700 and £16,935. A further guide returned a valuation of £14,277. I think the valuations are fairly close to each other and I'm, therefore, persuaded that they are for the same car. And I haven't discounted any as there was no indication any were wrong.

Nelson valued Mr C's car at £14,700 – the lowest of the three valuations it obtained. As noted above, it applied deductions to the other two guides to also reduce them to £14,700 on the basis of the car's condition. However, there was nothing to suggest these deductions were necessary, particularly as no deduction was made from the third guide and the valuation report described the car's pre-accident condition as "good". This makes it unclear why the reductions were applied other than to bring all valuations to the same figure. While the car did have high mileage, the reductions made related to condition rather than mileage, which was separately listed as an option. In light of this, I don't consider the deductions to have been applied fairly, and I think the original valuations should stand.

Mr C provided two adverts (for £21,000 and £19,300) but the vehicles in the adverts had about half the number of miles Mr C's had so I didn't find either of them to be persuasive evidence as to the car's value. Nelson hasn't provided any additional evidence in support of its valuation.

Looking at the valuations produced by the guides I'm not persuaded that Nelson's offer of £14,700 is fair. Given that there isn't any other evidence that is as persuasive as the guides to persuade me that a valuation in line with the higher valuation produced is inappropriate and to avoid any detriment to Mr C, the highest valuation produced by the guides is my

starting point. And considering the overall variation of the values produced I consider that £17,486 is a fair valuation. So I think Nelson should pay Mr C the difference between the two valuations. As the final settlement figure has already been paid to the finance company I don't see any issue with this payment being made directly to Mr C but if the parties have anything to raise regarding this they can let us know when they respond to this decision.

My provisional decision

For the reasons above I am considering upholding this complaint. In addition to the £500 compensation paid, Nelson Insurance Company Ltd must also pay Mr C the difference between the £17,486 valuation and its £14,700 valuation. It must also pay 8% interest per year simple on the amount it pays Mr C from the date of the original settlement to the date it pays him. I note that the £500 excess has already been deducted so it doesn't need to be deducted again."

Mr C responded and accepted my provisional decision. Nelson didn't respond by the deadline I had set for the parties to respond.

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.

When Mr C responded to the provisional decision he said he accepted it and provided a calculation of what he believed he would be awarded. He said he expected to receive £3,286 in total plus interest which includes £2,786 (being the difference between £17,486 and £14,700) and the £500 compensation. I'd like to clarify that in my provisional decision I did not award an additional £500 compensation. So I don't expect Nelson to pay a further £500 compensation if this has already been paid to Mr C. But if the £500 previously offered hasn't been paid to Mr C yet, I expect it to be paid now.

As there were no further comments in relation to my provisional decision I see no reason to change any of the findings I made in that decision. So those findings are now the findings of this, my final decision.

My final decision

For the reasons above I have decided to uphold this complaint. Nelson Insurance Company Ltd must pay Mr C the difference between the £17,486 valuation and its £14,700 valuation. It must also pay 8% interest per year simple on the amount it pays Mr C from the date of the original settlement to the date it pays him. I note that the £500 excess has already been deducted so it doesn't need to be deducted again.

If Nelson Insurance Company Ltd hasn't already paid the £500 compensation it previously offered Mr C it must pay it now. But if this has already been paid, I don't expect it to be paid again.

Nelson Insurance Company Ltd must pay the compensation, unless already paid, within 28 days of the date on which we tell it Mr C 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 C how much it's taken off. It should also give Mr C 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 C to accept or reject my decision before 9 April 2026.

Anastasia Serdari
Ombudsman