

complaint

Miss A complains about Zenith Insurance plc's valuation of her car following a claim against her motor insurance policy.

background

Unfortunately, in December 2013, Miss A's car was stolen. Zenith later recovered Miss A's car but said that it was a total loss. That means that in Zenith's view, the costs of repairing Miss A's car were uneconomical. In February 2014, Zenith's engineers inspected Miss A's car and said that its market value at the time of Miss A's loss was £1,084.00. The engineers said that the guide price was £2,230.00 and it deducted 20%, as Miss A's car had previously been a total loss and £700 for the cost of putting right previous poor repairs.

In June 2014, Zenith wrote to Miss A and said that her car was valued at £800. From that figure, it deducted 18.63% because when Miss A took out the policy, she hadn't told it about a conviction in 2011. It also deducted the excess of £400, which it said was due under Miss A's policy. It offered to pay Miss A £250.96.

Miss A didn't accept that and said that her car was worth at least £2,000. She provided Zenith with evidence of sales adverts for cars of the same make and model as her car but which she said had higher mileage. Miss A wants a higher valuation of her car, which would enable her to buy a replacement.

The adjudicator upheld Miss A's complaint. He initially said that Zenith hadn't provided evidence to support its valuation or the deductions it made. He said that Zenith should pay Miss A the valuation she suggested of £2,000 and interest, make no deductions and pay compensation of £100.

Zenith provided additional information and the adjudicator changed his view. He said that the market value of Miss A's car was £2,675 and that Zenith should pay her that amount, without deduction. He said that Zenith should also pay interest and £200 for Miss A's trouble and upset.

Zenith said that it would revalue Miss A's car at £2,230, deduct 20% (£446) of that as her car was previously a total loss and 18.63% (£415.45) because Miss A didn't tell it about a conviction when she took out the policy. It would also deduct the excess under Miss A's policy but said that it wouldn't make a deduction of £700 for the previous poor repairs.

Miss A didn't accept Zenith's offer as she said she didn't know that her car had previously been a total loss. She said that she insured her car for what it was worth and paid the appropriate premium.

my provisional decision

I issued a provisional decision in which I said that Zenith's most recent valuation of Miss A's car at £2,230 is fair and that it could deduct £414.45 because Miss A didn't tell it about her conviction and the excess due under the policy but that it couldn't deduct anything because Miss A's car had previously been a total loss. I also said that Zenith should pay Miss A for her trouble and upset.

I said that Miss A's policy says that Zenith may choose to pay Miss A for the loss of her car and that the amount it will pay is capped at the market value of the car at the time of the theft. I said that our role isn't to provide an exact valuation of Miss A's car but to decide whether Zenith's offer is fair and reasonable.

The retail values from the trade guides for a car of the same make and model as Miss A's are £2,230.00 and £2,675.00. We find these guides give a fair indication of what a car's market value is because the valuations are based on nationwide research and the actual sales figures, instead of the advertised sales values, so I think they're persuasive. I thought that Zenith's most recent valuation of £2,230.00 was fair as it's within the range of the values from the trade guides, albeit at the lowest point of the range.

Zenith wanted to deduct 20% (£446) of the value as Miss A's car was previously a total loss, 18.63% (£415.45) because Miss A didn't tell it about a conviction when she took out the policy and the excess due under Miss A's policy.

I said that I didn't think it was fair or reasonable for Zenith to make any deduction because Miss A's car was previously a total loss. I accepted that Miss A didn't know that her car had previously been written off and I didn't think that it should have been obvious to her. She says that she paid £2,250.00 for the car in January 2012, which didn't indicate to me that she received any discount for the car's history. I think that Miss A paid full price for the car and, subject to what I say below, paid a full premium.

Zenith said that when Miss A took out the policy, she didn't tell it that she had a conviction from 2011. Miss A hasn't disputed that she has a conviction. She bought the policy via a comparison website and Zenith has provided a copy of the questions Miss A answered when she took out the policy. I was satisfied that Miss A was asked a clear question about motoring convictions and that she didn't answer correctly.

If Miss A had answered correctly, her premium would have been higher. It's an established principle that, in circumstances such as these, insurers can deduct a proportion of a successful claim as the premium would have been higher if it had known the true position. Therefore, I think it's fair for Zenith to deduct an amount because Miss A didn't tell it about a conviction in 2011. Zenith says that the broker which underwrote Miss A's policy said that the premium would have been increased by 18.63% if it had known about the conviction. I accepted that Miss A's policy would have been increased by 18.63% and I thought that it was fair that Zenith deduct this amount from the valuation of Miss A's car.

I had some concerns about Zenith's handling of Miss A's claim. In June 2014, it told Miss A that the value of her car was £800.00. It wasn't clear to me why Zenith told Miss A that, as by June 2014, Zenith had its own engineer's report dated February 2014, which valued Miss A's car at £1,084.00. Zenith said that the first valuation was £800.00 and that its engineers later increased it to £1,084.00. I saw no evidence that there was a valuation of £800.00 but, in any event, any valuation at that figure wasn't based on Zenith's own engineers' valuation or on the trade guides. It seemed to me that Zenith's offer of less than the valuation of its own engineers unnecessarily prolonged this matter for Miss A.

In addition, Zenith said that it would deduct £400 excess due under Miss A's policy. Miss A's schedule of insurance shows that the excess is £100. I said that it was possible that Miss A changed her excess during the term of her policy but Zenith would need to show this.

I said that I think that Zenith's handling of Miss A's claim caused her trouble and upset and unnecessarily prolonged the process. Miss A was put to the trouble of pursuing this matter after Zenith made Miss A an unusually low offer, which wasn't based on either its own engineers' report or trade valuations. I said that fair compensation for that is £400.

Miss A accepted my provisional decision. Zenith said that it didn't agree with one of my comments. It said that it should be able to make a deduction for the fact that Miss A's car was previously a total loss as Miss A would have been aware of that as the registration certificate says that the car has been substantially repaired and/or accident damaged.

my findings

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

I've carefully considered what Zenith says about the deduction it wants to make as Miss A's car was previously a total loss. I remain of the view that Miss A didn't know that her car was previously a total loss. That is what she says and I accept that. I appreciate that the registration document says that the car was previously substantially repaired and/or accident damaged but it's clear to me that Miss A didn't think this meant it had previously been a total loss as she didn't negotiate a discount on the price when she bought the car.

Neither Miss A nor Zenith has provided any fresh information or evidence in response to any other matters in my provisional decision. I therefore find no basis to depart from my earlier conclusions. I remain of the view that Zenith's most recent valuation of Miss A's car at £2,230 is fair and that it can deduct £414.45 because Miss A didn't tell it about her conviction and the excess due under the policy but that it can't deduct anything because Miss A's car had previously been a total loss. Zenith should also pay Miss A for her trouble and upset caused by its handling of her claim.

my final decision

For the reasons set out in my provisional decision and above, my final decision is that I uphold this complaint. I now require Zenith Insurance plc to pay Miss A;

1. £2,230 less 18.63% (£415.45) and less the correct excess due under Miss A's policy,
2. simple interest on the sum at 1. above at the rate of 8% per year from the date of Miss A's loss, to the date of settlement and
3. compensation of £400.

If Zenith believes that it is legally obliged to deduct tax from any interest paid then it must provide a tax deduction certificate to enable Miss A to claim this back from HM Revenue & Customs, if appropriate.

Under the rules of the Financial Ombudsman Service, I am required to ask Miss A to accept or reject my decision before 1 September 2015.

Louise Povey
ombudsman