

complaint

Mr M complains about the valuation of his van by Zenith Insurance plc following a claim against his motor insurance policy.

background

In April 2015, Mr M's van was stolen and it hasn't been recovered. He made a claim against his motor insurance policy and in late April 2015, Zenith offered him £5,000, less the excess due under his policy. Mr M says that his van was worth £10,000.

Zenith offered to pay Mr M the £5,000 as an interim payment but Mr M didn't want to accept that as it wasn't enough to pay off the finance he owed on his van. He says that he had to hire a van so that he could continue to work and that Zenith should pay his hire costs. Mr M also wants to claim for the loss of the goods in his van.

The adjudicator said that two motor trade guides valued vans like Mr M's at £5,900.00 and £9,366.00. He said that Zenith should increase its valuation of Mr M's van to £7,633.00, which is the average of the two values. He said that Zenith should also pay interest.

The adjudicator didn't think that Zenith should pay Mr M's hire costs. He said that Zenith's offer of £5,000 was enough for Mr M to buy a new van. He said that Mr M could have accepted Zenith's offer as an interim payment. The adjudicator said that Zenith said it would consider a claim for Mr M's goods and that it could deal with that separately.

Zenith agreed with the adjudicator's view. It said that its engineer made a mistake when he valued Mr M's van as a non-sport model.

Mr M didn't agree with the adjudicator. He said that a valuation of £7,633 was still too low. He said that he bought the van for £10,794 in September 2014 and he doesn't think that it lost that much value in such a short period. He said that a valuation of £7,633 will only just repay the finance on his van and therefore won't be enough for him to buy a replacement.

Mr M said that his van is essential, as he's self-employed. He says that he understands that he didn't take out cover for van hire but that he was assured that as his claim was taking so long, he would receive some compensation for that. Mr M said that he had to sell his family car in order to pay for the hire of the van he needs for his business. Whilst he agrees that Zenith made a prompt offer, he says that it was an unfair one as it was too low. Mr M also asked about the interest the adjudicator asked Zenith to pay.

my findings

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

Mr M's policy provides cover for theft and says that the most Zenith will pay is the market value of his van. The policy defines market value as:

"The cost of replacing your vehicle, if this is possible, with one of a similar make, model, age, mileage and condition."

Our role isn't to provide an exact valuation of Mr M's van but to decide whether Zenith's offer was fair and reasonable. I don't think its original offer of £5,000.00 was fair.

The values from the trade guides for a van of the same make and model as Mr M's van are £5,900.00 and £9,366.00. The third trade guide we usually use doesn't give a value for Mr M's type of van. I haven't been able to find any reason why the two values are so different.

We generally find that the trade guides give a fair indication of market value as they are based on nationwide research and actual sales figures, rather than asking prices, so I think they are persuasive and appropriate here, even though there is a significant difference between the two values. The information is gathered from all the sales prices from retailers and dealers, so properly and independently detail the market for any vehicle that's listed.

I think a reasonable approach is to ask Zenith to pay £7,633.00, less the excess due under Mr M's policy. That's the average of the two values in the trade guides. It should also pay interest on that sum

I'm afraid I don't accept that Zenith should offer Mr M more based on the price he previously paid for his van. Nor do I think that its offer should take into account what Mr M owes on finance for the van. Mr M's policy doesn't provide that it will pay him either the price he paid for the van or the amount he owes on finance.

I've considered carefully whether Zenith should pay Mr M's hire costs and I don't think it should. I agree with Mr M that Zenith's offer of £5,000.00 was too low to be the final settlement but it was enough to enable Mr M to buy another van. Zenith offered to pay the £5,000.00 as an interim payment, whilst the dispute about the valuation was going on. Mr M chose not to take that offer up and instead hired a van. In the particular circumstances here, I don't think it would be reasonable to ask Zenith to pay Mr M's hire costs as it had provided him with a reasonable alternative of an interim payment that would have enabled him to buy a van.

I've considered whether Zenith should pay Mr M for the trouble and upset its initial low offer caused him. On balance, I don't think that it should. I think that the interest payment is sufficient to compensate Mr M in this case as Zenith has agreed to pay interest from the date of loss on the whole of the fair value.

I understand that Mr M hasn't yet made a claim for the loss of the goods in the van, so Zenith hasn't had an opportunity to consider that. If Mr M wants to pursue that, he should contact Zenith in the first instance.

I appreciate that my decision will disappoint Mr M but for the reasons I've set out above, I don't think that Zenith should pay any more than the average of the values in the trade guides, plus interest.

my final decision

My final decision is that I uphold this complaint. I now require Zenith Insurance plc to pay Mr M:

1. £7,633.00, less the excess due under Mr M's policy.
2. Simple interest on the sum at 1. above at the rate of 8% per year, from the date of the theft until the date of payment.

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 Mr M to claim this back from HM Revenue & Customs, if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 9 November 2015.

Louise Povey
ombudsman