

## **complaint**

Mr W's complained that Tradewise Insurance Company Limited hasn't offered him enough to settle a claim under his motor trade policy.

## **background**

Mr W bought his policy with Tradewise through a broker. The policy has a £5,000 indemnity limit. When Mr W's car was damaged in a fire he claimed on his policy. Tradewise said his car would be written-off (known as a total loss). But even though it was worth around £25,000 Tradewise would only pay £5,000 minus his £500 excess. As Mr W wanted to keep the salvage Tradewise said it would deduct another £1,417.04 for the salvage value.

Mr W didn't think this was fair and complained. He also complained to his broker as he thought his policy had been mis-sold. Tradewise didn't think it had done anything wrong. It said the indemnity limit was set out in the policy Mr W had chosen to buy. And as it had written-off the car it was entitled to deduct salvage as Mr W was keeping it. Tradewise said the salvage value for the vehicle was £5,570.40. However, it had proportionately reduced the amount it charged Mr W, as it wasn't paying the car's full market value. Tradewise said he needed to pay his excess.

Our investigator thought Tradewise was entitled to apply the indemnity limit in line with the policy. But as the value of the vehicle was much higher than the limit she didn't think it was fair for it to deduct the salvage value or excess.

Tradewise didn't agree. It said it was being penalised for Mr W undervaluing his car. It asked for an ombudsman's decision.

## **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 W has also complained about his broker, but in this decision I can only comment on what Tradewise might, or might not, have done wrong.

The terms and conditions of Mr W's policy say, if the car is damaged, Tradewise won't pay any more than the indemnity limit. I don't think Tradewise did anything wrong in setting this limit as I understand it set the limit that Mr W and his broker asked for. As this is the cover it agreed to provide I'm not going to ask it to pay any more than the £5,000 limit.

I don't however think it's fair and reasonable for Tradewise to make any deductions from this limit. I accept it's a general principle of insurance that when a vehicle is written-off it becomes the property of the insurer to sell for salvage. But in this case Tradewise didn't pay Mr W the full total loss value, so I don't think it's fair and reasonable for it to keep the salvage or to deduct a salvage value.

The terms and conditions of the policy say Tradewise will only be liable for any amount over the excess shown in the schedule. The schedule says there's a £500 excess for fire claims. As there's an indemnity limit I don't think it's fair and reasonable for Tradewise to deduct an excess, as it means it would never pay the full amount it's covering. The excess should be

deducted from the total amount of the claim (*ie* the car's full value) and then Tradewise should cover £5,000 of that amount in line with its indemnity limit.

In summary, Tradewise should pay Mr W a total of £5,000 to settle his claim. I understand it offered him £3,082.96 but this cheque wasn't cashed. As Tradewise shouldn't have deducted the additional £1,917.04 it should pay interest on this amount at a rate of 8% simple per year from the date of the fire to the date it makes payment.

### **my final decision**

My final decision is that Tradewise Insurance Company Limited should pay Mr W a total of £5,000 to settle his claim. It should add interest on the additional £1,917.04 at a rate of 8% simple per year from the date of the claim to the date it makes payment.<sup>1</sup>

Tradewise should do this within 28 days of us telling it Mr W's accepted my decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 23 January 2020.

Sarann Taylor  
**ombudsman**

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<sup>1</sup> If Tradewise considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr W how much it's taken off. It should also give Mr W a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.