DRN-4401936

The complaint

Mr B has complained about his van insurer Ageas Insurance Limited because he feels the settlement it offered when his van was found to be a total loss was too low.

What happened

Mr B's van was damaged in an incident in April 2023. Ageas accepted the claim and felt the van was a total loss. It checked two motor valuation guides which returned figures of around £7,000. Mr B wasn't happy with that figure and Ageas reviewed on-line adverts. It said taking those into account it would view the market value of the vehicle as £7,500 and it would pay an additional £500 because the van had been lined, with it also comprising a roof rack. It said it would deduct the policy excess of £200 and would pay the remainder to Mr B as an interim settlement if he wanted it to, upon production of his V5 vehicle document.

In July 2023 Mr B said he'd like to take an interim payment. Ageas subsequently paid Mr B £7,800. Mr B felt it would cost in excess of £11,000 for him to replace his van. He took out a loan to obtain a replacement and he complained to the Financial Ombudsman Service.

Our Investigator consulted a third motor valuation guide. It returned a value for Mr B's vehicle of £8,792. He noted adverts for similar vans to Mr B's for sale which seemed to support that figure (with none suggesting Ageas' market value of £7,500 had been fair). So he said Ageas should pay Mr B the difference between the two values (£1,292), plus interest.

Ageas subsequently agreed. It then sent Mr B a payment of £992, noting this sum was paid net of an excess deduction of £200. Our Investigator pointed out to Ageas that Mr B's excess had already been accounted for and that it didn't seem as though Ageas had paid the interest suggested in the view.

Mr B was pleased when he heard Ageas had agreed to the view. But disappointed when he saw the payment it had made. And he maintained that even that increased sum was not enough for him to replace his van. Pointing out that the policy wording defines market value as the cost for replacing the vehicle. He said the motor valuation guides were out of line with the current sale market.

The complaint was referred for an Ombudsman's decision.

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.

Having done so I agree with our Investigator that Ageas did not apply a fair and reasonable market value when seeking to settle this claim. But, with regret for any disappointment this causes Mr B, I also agree with our Investigator about what a fair and reasonable market value is – so I won't be requiring Ageas to pay more than that recommended in our view.

Ageas used two motor valuation guides and considered some adverts of vehicles for sale. The two guide values were quite a bit below the comparable advert Ageas found. Although it hasn't presented that advert as part of its submissions. But our Investigator found there was a third motor guide able to return a valuation. So Ageas should have taken that guide into account along with any adverts found.

The third motor guide returned the highest of all three valuations – £8,792. Our Investigator found a number of adverts for similar vans for sale. There were some distinct differences with some examples – such as having been adapted for wheelchair access. But none of the adverts showed vans for sale at £7,500. And the third motor guide presented examples along with its valuation of like vans which had actually been sold, supporting its valuation figure returned. So I'm satisfied that Ageas, in using a base-line market value of £7,500, acted unfairly and unreasonably. It should be settling the claim taking into account a base-line market value of £8,792. A difference of £1,292.

I appreciate that Mr B presented an advert for a van for sale at a sum of over £13,000. Also that he sees that all the other adverts he's seen are for vans for sale at £11,000 or more. But there will always be asking prices that don't sit in line with the values returned by the motor guides. Sometimes some of the guides may not keep up with market conditions. But, given the detail I've seen here, it does seem that there are similar vans to Mr B's for sale at around the sum of the highest valuation returned by the third motor guide. So I am satisfied that requiring Ageas to use that valuation, as its base-line market value, is fair and reasonable.

I've used the phrase 'base-line' above because Ageas has accepted that Mr B had adapted his van, which would add value to it, in a way not accounted for by the guides. Ageas' engineer felt that £500 should be paid for the adaptations and I've seen nothing which makes me think that's unfair or unreasonable. So Ageas' settlement for Mr B's van, before any interest is added, will be £8,792, plus £500, less the £200 policy excess.

When Ageas paid Mr B its interim settlement in July 2023, that was its base-line market value of £7,500, plus £500 but less the policy excess. Which means that both the £500 and the policy excess have already been accounted for by Ageas. The difference between the two base-line market values is £1,292. With Ageas recently having paid £992 to Mr B. Which means £300 is outstanding and will need to be paid. Ageas should also calculate what interest is due against the sum of £1,292. It should base interest on the loan rate Mr B has been paying, on a simple basis per year. It should apply interest from the 31 July 2023 until it recently paid £992, and then on the £300 still outstanding from the date £992 was paid until the final settlement is made.

I'm awarding interest from July 2023 only because Mr B had the option earlier to accept an interim settlement from Ageas. He didn't then ask to be paid on an interim basis until July 2023.

Putting things right

I require Ageas to pay Mr B:

- £300, where there's an additional claim payment of £1,292 found due under this complaint but £992 of that sum has already been paid.

- An amount equivalent to interest* applied on the sum of £1,292 from 31 July 2023 until £992 was paid, and then on the sum of £300 from the date £992 was paid until the £300 is paid.

*Interest is at the rate of the loan taken by Mr B to replace his vehicle, on a simple per year basis and paid on the amounts specified and from/to the dates stated. HM Revenue & Customs may require Ageas to take off tax from this interest. If asked, it must give Mr B a certificate showing how much tax it's taken off.

My final decision

I uphold this complaint. I require Ageas Insurance Limited to provide the redress set out above at "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 17 January 2024.

Fiona Robinson
Ombudsman