DRN-3480238

The complaint

Mrs D complains about Haven Insurance Company Limited's settlement of the claim she made on her motor insurance policy.

What happened

Mrs D had a car insurance policy with Haven and made a claim when her car was stolen. In settlement of the claim, Haven paid £16,870 which is the price Mrs D paid for the car. Less the policy excess.

Mrs D says she hasn't been able to source a similar car at the price it paid. She says she carried out her own research which came back with a market value of £20,000 upwards for similar cars. Mrs D also complained that the courtesy car she was given was too small for her and her family, and she had to pay to upgrade to a larger car.

Haven says the limit of coverage on Mrs D's policy was £16,250 which is the maximum sum insured, and is outlined in the policy booklet. It says it paid the purchase price of the car as a gesture of goodwill.

Our investigator thought the complaint should be upheld, because he didn't think it was fair for Haven to rely on the term that limits the coverage of the policy. He didn't think there was any evidence it explained to Mrs D the importance of the value she declared for the car. Our investigator thought Haven should pay Mrs D the car's market value. He said it should pay £3,268.50 plus 8% simple interest per annum in addition to what it had already paid. However, he thought the terms of the policy were clear about the type of courtesy car provided by the policy. He didn't think Haven was obliged to provide a larger courtesy car.

Haven didn't accept our investigators opinion. It said Mrs D was asked for the car's value when she phoned to change the car on her policy. However, our investigator didn't change his mind. He said because of the nature of the term, we would expect the implications to have been explained. As it wasn't, he didn't think it was fair for Haven to rely on it.

Haven still didn't accept what our investigator said and asked for an ombudsman's decision. It says it is the policyholder's responsibility to read the policy terms. It thinks the settlement it offered would be putting Mrs D back in the position she would've been in prior to the loss.

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.

Mrs D accepted our investigators opinion regarding the courtesy car. So, I won't go over it again here, instead I've focused on what remains in dispute. Having done so, I agree with the outcome reached by our investigator and for similar reasons.

This service's role isn't to work out exactly what the value of an individual vehicle is. Rather, we look at whether the insurer has acted in a fair and reasonable manner in its application of the policy terms and in its valuation of the car.

Under the terms of Mrs D's policy, Haven will pay the market value of the car at the time of loss up to the limit of coverage specified in the policy schedule. In Mrs D's case that's £16,250.

The policy defines market value as:

"*the cost of replacing Your car with one of a similar make, model and specification, taking into account the age, mileage and condition of Your car…"*

In order to find Haven fairly relied on the limit of coverage term, I need to be satisfied that it highlighted the significance of the term to Mrs D, and the potential ramifications of the value she declared for the car.

When Mrs D bought her car, she phoned to update the details on her policy. I've listened to the phone call Mrs D had with the broker. During the conversation she's asked the purchase price of the car and whether that was also its value. However, the broker doesn't explain the value she declared is used to set the limit of cover provided by the policy. I've then looked at the documentation Haven provided Mrs D and I don't think it highlighted that the value that's noted on the policy schedule is the maximum the policy would pay.

I accept it is the consumer's responsibility to read the terms and conditions of the policy. But considering that the term potentially means she is paid less than the car's market value at the time of loss, I think Haven could have done more to highlight this limitation to her. As such I don't think it's fair for Haven to rely on this term to pay Mrs D a figure that's below her car's market value.

Haven thinks its offer to pay Mrs D her cars purchase price of £16,870 is fair because it's higher than the policy limit stated in Mrs D's policy schedule. But I don't agree. With the current market conditions, we've found the price of some used cars has increased, and in some cases this increase has been quite significant. Based on the evidence available, I find that the value of Mrs D's car has increased since she first purchased it. I think it would be challenging for her to find a replacement car of similar make, age, and mileage at the same price she initially bought hers. As such, I think it's unreasonable under these circumstances to pay Mrs D what she originally paid for the car.

Ultimately Haven need to pay the cost of replacing Mrs D's car with a similar one, and I don't think she would have been able to at the price it paid. I think a fairer way to settle the claim would be to pay the car's market value at the time of the loss.

Its common practice for the industry to use valuation guides to work out the estimated market value of a car. And it's not unreasonable that it does so, as the valuation the guides give are based on national research on likely selling prices of similar cars with similar age and mileage for sale at the time of loss. Our investigator carried out their own searches using three guides. These produced values of £20,500, £19,840, and £20,077. We usually find a fair valuation would fall within the range of figures produced by the guides. Haven's settlement falls below the range of values I've seen, so I don't think its figure of £16,870 is reasonable.

Putting things right

I think a fair way to settle this claim is to take an average of the three guides and pay Mrs D this figure, less the excess stated in Mrs D's policy documentation. Haven should therefore pay Mrs D the difference between this figure and what it's already paid. It should also pay

8% simple interest per annum on the difference from when it initially paid Mrs D, to the date the additional payment is made.

My final decision

For the reasons mentioned, I uphold this complaint and I require Haven Insurance Company Limited to:

- Increase the settlement value to £20,139 less the policy excess. It should pay Mrs D the difference between this figure and what it's already paid her.

- Pay 8% simple interest per annum on the difference from the date it initially made payment to the date the additional payment is made.

If Haven Insurance Company Limited considers that it's required by HM Revenue & Customs to take off income tax from the interest, it should tell Mrs D how much it's taken off. It should also give her a certificate showing this if she asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 19 July 2022.

Oluwatobi Balogun
Ombudsman