

## The complaint

Mr C complains about the valuation Haven Insurance Company Limited (Haven) placed on his van after it was stolen under his commercial vehicle insurance policy.

## What happened

In October 2021 Mr C had his van stolen. He made a claim to Haven, which it accepted and confirmed a settlement payment.

Mr C thought the valuation of his van was too low. He explained the engine had recently been replaced with a reconditioned one, as well as other replacement parts including new brakes, shock absorbers, a turbo and alternator. He says the van was in good condition and he thought it was worth more. He complained to Haven about this.

Haven reviewed its valuation and offered an increased payment. In its final response letter to Mr C it says the, “*vehicle value declared*” in his policy is for £3,500. This is the limit of the cover provided and the maximum sum payable for his claim. However, as a gesture of goodwill it increased its settlement offer to £4,200. After taking away the policy excess charge the settlement payment came to £3,850.

Mr C remained unhappy with the settlement payment and referred his complaint to our service. He says Haven had also been using the wrong date for the theft of his van when carrying out its valuation. Our investigator upheld Mr C’s complaint. She didn’t think the limit of coverage condition had been made clear in Haven’s policy terms. This is an important term and she didn’t think the ramifications of this were highlighted sufficiently to Mr C.

Our investigator looked at the trade guides to establish the market value of Mr C’s van from the date it was stolen. The average valuation came to £5,200. She thought it was fair that Haven settle Mr C’s claim based on this valuation plus 8% interest.

Haven disagreed with this outcome. It says a similar case investigated by our service had determined that its terms and conditions were fair. Because of this it asked for an ombudsman to review the complaint.

It has been passed to me to decide.

I issued a provisional decision in May 2022 explaining that I was intending to uphold Mr C’s complaint. Here’s what I said:

### *provisional findings*

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

*There are two main issues for me to consider. The first is whether it’s fair for Haven to apply a limit to the settlement payment of £3,500 based on the “insured vehicle value” set out in the policy schedule. The second issue is whether Haven’s approach to establishing a value*

for Mr C's van is fair.

*In its response to Mr C's complaint Haven says the policy has an indemnity limit as set out in the policy terms and schedule. I've read the policy documents to understand what this means. The policy terms say:*

**"B1 LOSS OF OR DAMAGE TO YOUR VEHICLE CAUSED BY FIRE OR THEFT**

*What is covered?*

*We will cover You in respect of loss of or damage to Your Vehicle which occurs during the Period of Insurance caused by fire, lightning, explosion, theft, attempted theft up to the Limit of Coverage specified in the Schedule and subject to the applicable Excess(es).*

*If We consider Your Vehicle is Beyond Economic Repair as a result of an accident or incident covered by this insurance, subject to clause 9 below We will provide the owner of Your Vehicle with settlement of its Market Value up to the Limit of Coverage after deducting the Excess. You should be aware that We are entitled to provide settlement up to the Limit of Coverage after deducting the applicable Excess(es) in full and final settlement of Your claim for damage to Your Vehicle, even if that value is under-stated. Our obligation to repair Your Vehicle shall be limited to the cost calculated by applying the proportion that the value of the repair service that We are to provide bears to the Market Value of Your Vehicle up to the Limit of Coverage less the applicable Excess(es)."*

*The policy schedule says, "Insured Vehicle(s): Value: £3,500".*

*Generally, we don't consider it fair for an insurer to limit a settlement payment to an amount less than the market value of the vehicle. Haven says the policy limits the cover to the value set out in the schedule. But for Haven to fairly rely on its "limit of coverage" term, I need to be satisfied that it clearly highlighted the significance of this policy term, and its ramifications, to Mr C. From the information provided, I'm not satisfied that it did. I don't think it's clear that Mr C was alerted to the point that a settlement payment would be limited to the value declared in the schedule. Or that this could be to his detriment, which it has shown to be here. So, I don't think it would be fair for Haven to base a settlement payment on the insured value set out in the schedule.*

*That said Haven did obtain a valuation using an industry trade guide, which it referred to when offering a settlement figure. When Mr C disputed its settlement offer, Haven offered a higher figure including a 10% increase, which it referred to as a goodwill gesture. Haven's final settlement offer was £4,200.*

*We checked three industry trade guides to obtain valuations at the date just prior to Mr C's loss. Our investigator confirmed that these gave an average valuation of £5,200. However, two of these valuations didn't include VAT. Mr C confirms that his business is not VAT registered. This means for Mr C to buy a replacement van he would need to pay VAT and couldn't reclaim it from HMRC. The actual cost of Mr C's loss must therefore include VAT. In these circumstances I think it's fair to add VAT to the settlement payment, which based on the trade guides give an average valuation of £5,832.*

*Mr C says he has been inconvenienced and incurred a loss of earnings because the payment offered didn't allow him to buy a replacement van. Haven states the policy doesn't provide cover for loss of earnings and it felt it's offer was fair and in line with the policy terms.*

*Mr C hasn't provided information to show the losses he refers to or what he did to try to mitigate his loss of earnings and any reasonable costs he incurred in doing so. But I don't*

*think the settlement payment he was offered was fair and this has clearly impacted on his ability to buy a replacement van. Because of the inconvenience and worry this caused I think it's fair that Haven pays Mr C £200 compensation.*

*Having considered all of this I don't think it's fair for Haven to rely on the limit of cover set out in the policy schedule for the reasons I've already given. I think a fair approach is for it to offer a settlement payment based on the market value of Mr C's van from the time of the loss, which, when including VAT, is £5,832. Because of the delay Haven should also pay 8% simple interest on any unpaid part of this amount from the time of the loss until the full payment is provided.*

I said I was intending to uphold this complaint and that Haven Insurance Company Limited should:

- provide a settlement payment for £5,832 in total, to include 8% simple interest on any unpaid part of this from the date of the loss until the time this is paid; and (\*If Haven considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr C how much it's taken off. It should also give him a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.)
- pay Mr C £200 compensation for the inconvenience and worry it caused him.

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

Haven didn't respond to my provisional decision.

Mr C responded to confirm the amount Haven had paid him in relation to his claim. He says he managed to find other work at the time his vehicle was stolen. He was working for someone else and explains he didn't have overhead costs but didn't earn as much as when he was working for himself. Mr C says this work was steady until Christmas and afterwards reduced to working two to three days a week. He says he went to an agency to find more work, and that some weeks are better than others.

Mr C explains that he was ill with Covid in November 2021 and has had it again more recently.

### **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.

I acknowledge the information Mr C has sent that shows the settlement payment Haven provided following his claim. This is less than the payment I thought should be paid. If Mr C accepts my final decision Haven is required to pay the amount I specified in my provisional decision, which is £5,832 plus interest for the part that was unpaid. I think this is a fair settlement. I'm aware that Haven hasn't yet paid this amount. But this doesn't impact on my decision.

Mr C refers to the work he was able to source after his van was stolen. I note he was able to find work, albeit I understand Covid has twice had an impact on his ability to work. Mr C says he didn't earn as much but didn't have overheads to pay for. I acknowledge his comments that for a period he only had work for two to three days a week.

Haven says its policy doesn't provide for loss of earnings. I have considered this point. The

policy may not provide for loss of earnings, but I don't think Haven treated Mr C fairly in the settlement payment it provided. This caused Mr C problems when trying to replace his van. I don't think Mr C has clearly shown loss of earnings that couldn't be mitigated. However, I do think he was caused inconvenience and worry because Haven's settlement payment was lower than the market value of his van.

In my provisional decision I said Haven should pay Mr C £200 compensation for the inconvenience and worry it caused him. I have considered Mr C's further comments, but I remain of the view that this is a fair amount.

### **My final decision**

For the reasons I've explained above, and in my provisional decision, I uphold Mr C's complaint. Haven Insurance Company Limited should:

- provide a settlement payment for £5,832 in total, to include 8% simple interest on any unpaid part of this from the date of the loss until the time this is paid; and (\*If Haven considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr C how much it's taken off. It should also give him a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.)
- pay Mr C £200 compensation for the inconvenience and worry it caused him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 20 July 2022.

Mike Waldron  
**Ombudsman**