DRN-4278596

The complaint

Mr L has complained about the amount Haven Insurance Company Limited has paid in settlement of his claim under his Commercial Vehicle Insurance Policy.

Mr L is represented by Miss S.

What happened

Mr L's vehicle, which was insured under his policy, was stolen and he made a claim for it. Haven investigated the loss and offered £18,000 in settlement of the claim. This was because it thought the maximum amount payable was the 'Limit(s) of Coverage' shown in the schedule. This amount would have been paid to the company which provided Mr L with the finance to buy the vehicle. Mr L told Haven he didn't think this was enough. Haven increased its offer, on what it said was a goodwill basis, to £19,800. Mr L still wasn't happy with this offer, so he complained. Haven wouldn't increase its offer, so Mr L asked us to consider his complaint.

One of our investigators considered Mr L's complaint. She said it should be upheld and Haven should settle Mr L's claim using a value for his vehicle of £28,091. This was because she didn't think it was fair for Haven to rely on the 'Limit(s) of Coverage' because this wasn't specified in the policy schedule. And she explained that she'd checked the guides we use for valuing vehicles and felt the highest guide value was the right one to use. She also said Haven should add interest to the amount due at 8%, as well as paying £100 in compensation for the distress and inconvenience Mr L had experienced as a result of Haven offering less than it should have done.

Miss S said Mr L agreed with the investigator's view. Haven said it agreed with it as well in principle. But it thought the value it used to settle Mr L's claim should be based on an average of two of the guides of £25,694. The investigator asked Miss S if Mr L would accept settlement on this basis. She said he wouldn't. As Haven wouldn't agree to use the higher figure suggested by the investigator the complaint was referred to me.

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.

The terms of Mr L's policy say that if the vehicle insured is stolen and not recovered, Haven will pay the 'Market Value' at the date it was stolen, subject to the 'Limit of Coverage' shown in the schedule. The 'Limit of coverage' is not shown in the schedule that was provided to Mr L, but it is defined elsewhere in the policy as the 'Value shown in the Schedule'. The value shown in Mr L's policy schedule is £18,000. However, I agree with our investigator's view that it is not fair for Haven to rely on the 'Limit(s) of Coverage' because it was not actually detailed in the schedule provided to Mr L. This is because it means the policy terms are unclear and I think in this situation it is fair for Mr L to get the benefit of the interpretation most favourable to him. In my opinion, this would be for him to receive the 'Market Value' of his vehicle at the time it was stolen as defined in the policy. This is defined as 'the cost of replacing the insured vehicle with one of a similar make, model and specification, taking into account the mileage and condition' at the time it was stolen.

Working out the market value of a vehicle isn't an exact science and there are a number of factors that can influence it. We rely most heavily on the recognised guides for valuing vehicles, but we also place weight on adverts and – in some cases – the purchase price if the purchase was close to the time the vehicle was stolen or damaged. Mr L paid around £28,000 for his vehicle not long before it was stolen. And there is nothing that suggests to me it was over-priced. I say this because one of the guides we used put the value at £28,091 at the time it was stolen. So, bearing in mind what Mr L paid for it just before this, like our investigator, I think it is right for Haven to use the highest guide value as the market value to settle Mr L's claim, as opposed to the average of the lowest and the highest guide values.

This means I think as part of the fair and reasonable outcome to Mr L's complaint Haven must settle his claim using a market value of £28,091. However, as Haven is using the market value of Mr L's vehicle, as opposed to the value shown in the schedule, I think it is entitled to deduct the policy excess.

I've also noted that Mr L would have paid a higher premium if he'd chosen the amount he paid for the vehicle as the value when he took out the policy. He didn't do this and instead went with the value it seems was automatically produced by the website he used to arrange his insurance. But, if he'd noticed and amended the value as he should have done, he'd have paid more in premium. I don't know how much the extra premium would have been, but Haven can work this out and deduct it from the settlement figure along with the excess, which Haven have told us is £1,000, although I haven't considered whether this is right or appropriate as part of this complaint.

In addition to the basic amount due, I agree with our investigator that Haven should add interest to it at 8% per annum simple to compensate Mr L for the fact he's had to use his own money to carry on paying the finance. The interest rate on the finance was broadly the same, so I think 8% is fair. I appreciate Haven did offer to clear the majority of the finance with the £19,800 it had offered to Mr L and he decided against this even though Haven told him it wouldn't mean he accepted this amount in full and final settlement. But I can understand Mr L's caution in not doing so, especially as Haven didn't specifically explain to him it would not have any impact on his complaint to us. So, I'm satisfied interest should be paid on the total amount due to Mr L. And because the finance should have been cleared shortly after Haven made its first offer of settlement, I think interest needs to be paid from the date it made this offer.

Mr L's policy says that before Mr L receives anything in settlement of his claim the amount due to the finance company must be paid to them. Then any balance will be due to Mr L. So, Haven will need to pay what is needed from the settlement amount, plus interest, to clear the finance and then pay the balance to Mr L.

I also agree with our investigator that Haven's failure to recognise the lack of clarity in the policy wording and schedule and offer the correct settlement to Mr L caused him distress and inconvenience and I also agree £100 is the right amount of compensation for this.

Putting things right

For the reasons set out above, I've decided to uphold Mr L's complaint and Haven must do the following:

- Pay £28,091 to settle his claim, less the policy excess and the extra premium he'd have paid if he'd chosen the purchase price of his vehicle as the value when he took out the policy.

- Pay interest on this amount at 8% per annum simple from the date it made its first offer to settle Mr L's claim to the date of actual payment.

- £100 in compensation for distress and inconvenience.

My final decision

My final decision is that I uphold Mr L's complaint about Haven Insurance Company Limited and order it to do what I've set out above in the 'Putting things right' section.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 1 November 2023.

Robert Short
Ombudsman