

The complaint

Ms M complains that Fortegra Europe Insurance Company Ltd (Fortegra) offered her an unfair settlement to her caravan insurance claim.

What happened

In June 2023, Ms M's caravan was unfortunately stolen. After accepting the claim, Fortegra declared the caravan a total loss and wrote to Ms M with a settlement offer. They explained they'd checked a motor trade guide and a fair market value for her caravan was £19,025. They therefore offered to pay this amount to her minus the £100 policy excess.

Ms M immediately said the valuation was unfair. She explained that when she applied for the policy, approximately six weeks before the loss, the supplying dealership advised her to insure the caravan for around £25,000. So, she couldn't understand how its value had dropped by such a large amount. She also completed her own research to check the valuation. She couldn't find any adverts that matched her caravan's exact specification but was mindful of the fact it was a specialist model. She also noticed that all the adverts for similar caravans, including the one her model was based on, supported a higher valuation. So, she asked Fortegra to provide evidence that supported the value suggested by the motor trade guide or increase their settlement offer.

Fortegra then said they'd only reconsider their offer, if Ms M provided adverts that matched her caravan's exact model and specification. They also informed her they couldn't find any adverts that complied with that criteria either, so it was still their view that relying on the value suggested by the motor trade guide was fair. In reaching this conclusion, they also highlighted the price Ms M paid for the caravan when she purchased it. Ms M didn't agree and remained unhappy with the suggested settlement. She didn't think the purchase price was a relevant consideration, and said it was very difficult to provide adverts that were an exact match to her caravan, given it was a specialist model and therefore in limited supply.

An investigator at this service then considered the complaint. Prior to reaching his view, he contacted the dealership that supplied Ms M's caravan to see if they could share their thoughts about its value. They didn't say the caravan should be valued at £25,000, but they did share the details of a sale that took place in March 2023 for a caravan that was the same age and model as Ms M's. It sold for £20,769. The dealership also said they didn't think the value would have changed significantly between the March 2023 sale and the June 2023 incident date.

The investigator felt the dealership's suggested value was the most persuasive, so he asked

Fortegra to increase its settlement offer accordingly. In reaching this opinion, he highlighted the fact Ms M's caravan was a specialist model that was designed for that specific dealership, and in any event, he didn't think it was appropriate for Fortegra to only rely on one motor trade guide in isolation.

In response, Fortegra said they didn't think the value provided by the motor trade guide should be disregarded completely, so they were prepared to increase their offer to the

average amount suggested by the guide and the dealership - £19,810.50.

The investigator didn't think Fortegra's compromise offer was fair and Ms M also rejected it. She explained that given the time she had waited and the big difference in values, Fortegra should pay the amount suggested by the investigator.

Provisional decision

On 16 May 2024, I issued a provisional decision. I said I was intending on directing Fortegra to add interest to the settlement amount suggested by the investigator and pay some compensation.

In response, Ms M shared some information about her personal circumstances at the time of the claim and made some comments which supported the compensation award. She also explained she was grateful for the positive outcome and shared some feedback about this service.

Fortegra also responded to the provisional decision and said they didn't wish to make any further comments. It's my understanding they've also since contacted Ms M directly to arrange the settlement with her.

I was very sorry to read about Ms M difficult personal circumstances and thank her for the feedback she's shared with me. As both sides have accepted my provisional decision, I see no reason to change my findings. So, what follows below is my provisional decision now made final.

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 starting position is the agreement between Ms M and Fortegra - the policy terms and conditions. In relation to market value, they say:

“ Where the Caravan is insured on a Market Value basis (as shown in the policy schedule), We will pay You the value of the Caravan at the time of its loss or destruction...”

The terms also explain that in addition to considering the market value, the maximum amount Fortegra would be required to pay to settle a claim is the sum insured. As per the policy schedule, this amount is £25,000. The price Ms M paid to purchase the caravan is therefore not a relevant consideration here.

Assessing the value of a used vehicle isn't an exact science. However, like most insurers our service often finds the motor trade guides persuasive. This is because their valuations are based on nationwide research, and they show likely selling prices at the month of loss. The guides also allow for the specifications of most vehicles to be taken into consideration including any extras. This is particularly helpful, as factors such as the age and mileage of a vehicle can have a big impact on its value.

To ensure customers are treated fairly, I'd usually expect an insurer to check the four main motor trade guides before reaching a valuation. However, as there is only one guide which provides values for caravans, I'd reasonably expect other relevant evidence to also be considered such as adverts and dealership statements.

As mentioned above, the insured caravan was a specialist model. So, I don't find it surprising that when Ms M attempted to find adverts for caravans that matched hers, she couldn't do so. I also note that when Fortegra considered the claim, she told them about the much higher valuation she received from the dealership, and this figure is reflected in the policy schedule. Given this figure, the lack of adverts and the fact the caravan is a specialist model, I would reasonably have expected Fortegra to have done more to make sure their offer was fair. Ideally before making the initial offer, but certainly by the time Ms M contacted them and shared the reasons she didn't think it reflected a fair market value.

I appreciate Fortegra's contact notes suggest they tried to find adverts that matched Ms M's caravan and were unsuccessful. However, they could have quickly and easily contacted the dealership to verify the value as our investigator has done. So, it's unfortunate this information wasn't gained sooner.

Like our investigator, I find the valuation provided by the supplying dealership persuasive. I say this as the caravan is a specialist model, the valuation is based on a completed sale, and the caravan matches the specification of Ms M's. I appreciate the sale happened in March instead of June, but the dealership has confirmed this wouldn't impact the value, and I find this convincing, given it's unlikely a caravan sold in winter would attract a higher value than one sold in the peak holiday season.

Fortegra haven't provided any evidence which supports the valuation provided by the motor trade guide, such as statements/sale information from other caravan dealerships. I'm also mindful that providing Ms M with the average of the two values, instead of just relying on the dealership's valuation, would result in a significantly reduced settlement for her. So, I would reasonably expect Fortegra to be able to provide supporting evidence to justify this approach. As they haven't done so, and on balance, I therefore require Fortegra to settle Ms M's claim using a market value for her caravan of £20,769.

Fortegra have confirmed that when they gave Ms M their settlement offer, they didn't tell her she could accept it on a without prejudice basis. This is standard practice across the insurance industry, as it means a policy holder can benefit from a settlement offer, while continuing to dispute it. I've no reason to think Ms M wouldn't have accepted an interim offer had this been offered to her here, so I think it's appropriate for Fortegra to add 8% simple interest to the total settlement amount from 13 July 2023 (the date of the original offer) to the date of payment.

I also require Fortegra to pay Ms M £200 compensation to reflect the distress and inconvenience this matter has caused her. This acknowledges the frustration she felt when initially discussing this matter with Fortegra, their unnecessary mention of the price she purchased the caravan for, and their reluctance to provide any additional evidence to support their position when she specifically asked for it. Had they given this request more consideration, it's likely the dealership's valuation would have come to light much sooner. This award also takes into consideration the obvious upset associated with Ms M being unable to replace her caravan before now.

My final decision

I uphold this complaint and direct Fortegra Europe Insurance Company Ltd to do as follows:

- Settle Ms M's claim based on a valuation of her caravan of £20,769 and add 8% simple interest to the total settlement amount from 13 July 2023 to the date of payment.
- Pay Ms M £200 compensation to reflect the distress and inconvenience this matter

has caused her.

If Fortegra considers they are required by HM Revenue & Customs to deduct income tax from that interest, they should tell Ms M how much they have taken off. They should also give her a tax deduction certificate if requested, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 19 June 2024.

Claire Greene
Ombudsman