

## The complaint

A limited company, which I will refer to as B, complains about the settlement of its commercial motor insurance claim by Allianz Insurance Plc.

## What happened

The following is intended only as a brief summary of the events relating to this complaint. Although some of the communications have come through Allianz's agents, I have just referred to Allianz for the sake of simplicity.

B operates as a catering supplier, delivering food to customers using vehicles incorporating refrigeration and freezers. B held a motor fleet insurance policy underwritten by Allianz.

In April 2021, one of B's vehicles was damaged to the extent that it has been considered a total loss. Initially, B (seemingly via its broker) communicated with the insurer (N) of the third party who had caused the damage. A further third party (M) was instructed to provide claims management and credit hire. M provided B with a temporary replacement vehicle.

However, as B was unhappy with the valuation N placed on the vehicle, it brought the claim to Allianz under its own policy. Allianz instructed its engineer to carry out its own valuation.

Ultimately, Allianz offered B two options:

- To accept £17,580 (plus some interest to reflect the delay in reaching this valuation) and to allow Allianz to collect and retain the vehicle salvage, or
- To accept £14,650, but for Allianz only to collect the chassis cab – and to leave the fridge/freezer unit with B.

However, B was unhappy with this. B has said that the vehicle is specialised and that it cost B £56,425. B has said that the vehicle was expected to have a ten-year lifespan, and that there were four years remaining of this at the time of the damage. So, B considers the value of the vehicle to be £22,570; four tenths of the initial cost. B also does not consider Allianz is entitled to the salvage. And B was unhappy with the handling of the claim, referring to a number of specific aspects.

B brought its complaint to the Ombudsman Service. However, our Investigator did not recommend it be upheld. He said that Allianz had relied on the evidence from experts in the motor industry, so had not acted unfairly in reaching the value offered. He also thought it was fair for Allianz to be entitled to the salvage of the vehicle, if it paid for the full total loss. And that, overall, he thought Allianz had handled the claim appropriately.

B felt that it was an expert in the vehicle in question, so its comments should be given equal status as those of the experts Allianz had relied upon. And maintained that the valuation provided by Allianz was incorrect. B also asked the Investigator to have Allianz answer a number of specific questions.

As our Investigator was unable to resolve the complaint, it was passed to me for a decision. I

issued my provisional decision on 23 May 2024. The following is an extract from that decision:

“B has made a number of detailed submissions, including raising specific queries. I have considered all of these, but I will not be commenting on each point raised. Rather, as reflects the informal nature of the Ombudsman Service, I will be focussing on what I consider to be the key issues at the heart of this complaint.

#### Valuation

The primary issue is what value should be placed on the damaged vehicle. It was considered damaged to the extent that repairing it would not be economical. So, it was considered a total loss. Given the report on the damage and estimated cost of repair, I consider this was reasonable.

The amount payable under B’s policy is essentially the market value of the vehicle at the time of damage. Often this amount can be determined by reference to motor trade guides. However, with a specialised vehicle, this is often not possible. Other sources then need to be relied upon.

In coming to its valuation, Allianz has relied on expert reports. B has provided its own reasoning, but has not supported this with evidence of a comparable level to an expert report. I appreciate B has a thorough understanding of its vehicle and its requirements, as well as of its own business. However, this does not make it an expert in vehicle valuation.

The reports Allianz has relied upon were produced by engineers with qualifications in the motor industry. This does not mean that B’s comments do not have merit. But it is necessary for me to weigh the evidence objectively.

I have taken into account B’s argument around the vehicle having four years left of a ten-year lifespan. But this does not necessarily mean that its value is four tenths the original price. That presumes a linear depreciation in value. And my understanding is that this is unlikely for a motor vehicle. Certainly, this is not a conclusion that I can agree with without evidence to support such a linear depreciation.

Allianz has relied on a number of reports, produced by various parties, to come to its conclusion on the market value of B’s vehicle. On the face of it, this is what I would expect an insurer in this position to do.

However, it is necessary for me to consider the reports in a bit more detail.

I should stress that I am not an expert in vehicle valuation. It is not for me to assess the value of vehicle. That said, I am able to consider whether the reports have taken into account what I understand to be the reasonable considerations. And whether the conclusions they have reached are supported by the evidence provided.

Three valuations were produced by various parties. N’s own engineer apparently carried out market research and based the valuation of £9,000 on examples of other vehicles. It is unclear what examples were relied upon. It seems M then instructed an independent assessor (L) to value the vehicle. L apparently used the average of three examples available on the internet at the time to come to a value of £14,650. Again, it is not clear what these examples were.

Whilst having valuations from other sources is useful, without clear details of what has been relied upon to reach these values, they carry only limited evidential weight. I don’t know what examples N and L relied upon. It isn’t clear whether or not the specialist nature of B’s vehicle was taken into account. Nor do I know whether L taking an average of these was reasonable or if there were significant outliers that ought to have been discounted.

The final valuation was produced by Allianz’s own engineer. The engineer’s report

also placed a value of £14,650 on B's vehicle. The report stated that this took into consideration the extras fitted and that this was a combination fridge/freezer unit with connecting doors and side entrance.

The report does include a listing for the basic vehicle, potentially with a standard freezer box, from one of the trade guides. This gives a value of £10,650 – though the incorrect mileage has been used to generate this. A value of around £10,400 seems more accurate from this guide. I have been unable to generate results from trade guides myself, likely due to the passage of time.

The report then lists a number of extras, and puts a value on some of these. On others, the report says "INC". It then concludes that the "cost of extras comes to £1505.72 plus modifications £1849.28 total = £3355". The individually priced extras add up to £1,505.72. It seems the "modifications" refer to the altered door frame, cage holder, rack, brackets etc.

It is unclear how these figures have been used to generate a valuation of £14,650. Using the £10,650, the modifications and extras would generate a value of £14,005 (with this being reduced if the £10,400 figure were used).

Additionally, whilst some of the unpriced extras have been listed as "INC", it is not clear that these would be included in the standard vehicle the trade guide gave a quote for. Neither however is it clear what the cost of these would be. Perhaps this was an estimate from the engineer, but no supporting evidence or commentary to this effect has been provided.

The report also refers to a number of advertised vehicles. None of these are a match for B's vehicle. They are for different models and/or for different aged vehicles. This is not necessarily uncommon, especially where the vehicle in question is not a highly common one. There will only be a limited pool of available vehicles against which to make a comparison. However, as they are different, the support they provide to Allianz's valuation is more limited than had there been a direct comparable.

The closest matches appear to be a vehicle valued at £13,994 and one at £17,595, both of which were two years 'younger' than B's. The first vehicle appears to have a single refrigerated box and no side access. The second vehicle has side access and a moveable bulkhead, similar to B's vehicle.

Allianz has said that this second vehicle, as well as being two years younger, has 103,000 less miles recorded. However, only images of these adverts have been provided, rather than the full details. So, I am unable to confirm this point – albeit I have no reason to doubt the engineer's comments.

B's vehicle has a specialised refrigeration system, which I will refer back to later. But, other than this, the second of these examples appears to be reasonably similar to B's vehicle other than the age and mileage (though potentially does not include the extras or all the modifications). So, even though there are limitations, this is useful in assessing what the market value of B's vehicle would be.

The age and mileage will mean that B's vehicle would not have as high a market value. So, it would be reasonable for the engineer to take this into account. It isn't clear how much of an impact this would have had on the value though and Allianz has not quantified this other than in reaching its final valuation.

Although I am at this point making an assumption, it is possible that the first advertised vehicle above and the vehicle listed in the trade guide are comparable, with the difference in price here being the age of the vehicles. That would mean an approximate difference based on the two-year age gap of £3,500. This is about 25% of the value over two years. Allianz has not provided any actual comments on this though.

As noted above, B's vehicle had other extras that needed to be taken into account. It isn't clear whether the second example vehicle had all these extras (other than the split freezer/fridge and moveable bulkhead). Assuming it did not, it is unclear how Allianz came to the conclusion that a value of £14,650 was reasonable.

Deducting the amount Allianz has referred to for the extras and modifications from this £14,650, gives a valuation of £11,295. This suggests that Allianz would consider the difference in age and mileage equates to £6,300 of the value. It may be that only some of the extras/modifications need to be included in this adjustment, but it hasn't been made clear which these are.

As I say, no detailed commentary has been provided on the adjustment for age and mileage, but this being £6,300 would appear to be fairly high to me. Both B's vehicle and this second example would have been about half-way through the 10-year lifespan B places on its vehicle, and it is difficult to conclude that the difference in age and mileage between the two would have such an impact on their relative values. A figure closer to 25% of the value referred to above might be more accurate – though I should stress that I have little to conclusively base this on. Applying this to the £17,595 second vehicle price, leads to a reduction of £4,400.

After an initial figure of £14,650 was reached, the matter was then reviewed by another of Allianz's engineers, who spoke to the designer of the specialist refrigeration unit B's vehicle had. The specialist apparently informed Allianz that the refrigeration unit ought to result in a 20% uplift to take into account its specialised nature. Allianz applied this, resulting in the total value offer of £17,580. By contacting a specialist and relying on the comments received, I am persuaded Allianz acted reasonably in this aspect.

However, without comparable examples or more detailed explanation, it is unclear how Allianz's engineer reached his initial conclusion that £14,650 was a fair valuation. Part of this process will involve the engineer using his own knowledge and expertise. But there is limited explanation in the report of how this value was reached. So, whilst I am not directly qualified to disagree with the expert's valuation, I am not persuaded Allianz has shown that the valuation it has reached is fair and reasonable.

It may be that the valuation Allianz has reached is fair and reasonable. But I am not satisfied that it has demonstrated this, based on the evidence provided. That said, I am also not persuaded by B's reasoning as to the value of its vehicle. I do not consider that valuing the vehicle, purely based on its expected lifespan and the remaining length of this, is likely to reach a fair and reasonable outcome.

I consider that a fair and reasonable valuation would be reached, in the circumstances of this particular case, by taking the price of the second vehicle example in Allianz's report, making an adjustment for the difference in age and mileage, then adding the cost of the extras/modifications not already included in that vehicle's specifications and making a 20% adjustment for the specialist refrigeration unit.

Using the price of the second advertised vehicle as a starting point, then adding the £3,355 for priced extras and modifications, less £4,400 for the age difference leads to a figure of £16,550. An adjustment for the specialist refrigeration system would then need to be made. Adding 20% to this valuation results in £19,860.

Some of the extras listed as INC may not have been included in this advertised vehicle though. And the figure of £4,400 above is based on some very broad assumptions. So, it might be necessary to adjust this total valuation slightly. Using an, admittedly arbitrary, figure of £215 to make this adjustment, gives a total valuation of £20,075.

This is half-way between the parties' valuations. So, although I recognise the limitations of my calculation, this appears to be a reasonable compromise between the two parties' positions. And, in the absence of further explanation by a qualified expert, I think this is a fair and reasonable resolution.

### Salvage

B has said that Allianz should not be entitled to the salvage of the vehicle. However, if Allianz is settling the claim as a total loss, it would take ownership of the vehicle in exchange for providing B with the market value of that vehicle. Essentially, Allianz is buying the vehicle off of B.

The right for Allianz to retain the salvage is also set out in B's policy, which states:

"In the event of a total loss payment in respect of an Insured Vehicle We are entitled to possession and ownership of the Insured Vehicle."

So, it is fair and reasonable that Allianz is entitled to the salvage if the claim is fully settled.

Allianz has also included an option for B to retain the salvage of the freezer unit itself. But this will mean a reduction in the cash settlement of the claim. It is for B to decide whether to take this option. But it is reasonable that the settlement be reduced if B does take this option.

In terms of whether Allianz should also give the option to B of retaining the salvage of the vehicle chassis, this largely depends on what category the salvage falls into. And there has been some disagreement on this point.

Allianz's engineer has deemed the vehicle to fall into category B. A vehicle falling into this category would not normally be returned to a customer. Essentially, the vehicle is so badly damaged that it should not be used again on the road for safety reasons. And so should be broken down for parts. It is not common that a customer would be in a position to break the vehicle and dispose of it appropriately. So, if the vehicle does fall into this category, I consider Allianz has acted fairly and reasonably by not offering it for retention by B.

However, I note that the reports from N's engineer and from L both state that the vehicle falls into category S. A vehicle falling into this category would be capable of being used again on the road – albeit the costs of repairing it to a road-worthy condition are likely to be prohibitive. Should the vehicle fall into this category, B ought reasonably to be offered the opportunity to retain the salvage.

That said, if this category S applies, and B wants to retain the salvage, Allianz would be able to deduct an appropriate amount from the settlement figure to account for this. This amount is likely to be determined by Allianz's relationship with its salvage dealer.

I invite Allianz comments on which category the vehicle falls into and why. And if the vehicle is assessed as category S, Allianz should confirm the level of deduction that it would make to the settlement. It would then be for B to decide whether to take this option. For clarity, based on the information I have, I would not expect Allianz to offer this option if the vehicle is category B.

### Claim handling

I note that the directors of B are unhappy with the handling of the claim. It should firstly be said that the complainant in this case is a limited company, so I am unable to award compensation for distress – as a company cannot in itself suffer distress. And the directors are not the complainants – the company is. That said, I can still think about the impact any avoidable issues have caused the company.

Whilst there has been some dispute over the ultimate valuation of the vehicle, I consider Allianz came to its initial valuation promptly. I also note that an interim payment of £14,650 was paid to B around a month after B referred the claim back to Allianz. I consider this to be appropriate and allowed for the valuation dispute to continue, whilst providing B with the majority of the settlement of its claim in a timely manner.

I note that when the valuation increased, Allianz included an offer of interest on the settlement figure to account for the fact that the higher sum had not been paid previously – thus leaving B without this money when it otherwise would have had it. Again, I consider this to be appropriate action. I would also expect that Allianz add interest in a similar fashion to any amount over the increased value that is ultimately deemed payable – whether this be the £20,075 figure or otherwise.

I do note that B had to buy alternative vehicles to continue fully running its business. But I don't think this situation would be any different had Allianz paid a higher settlement in June 2021. B's policy covers it for the market value of the damaged vehicle. The cost of buying unused, replacement vehicles is not what the policy provides for.

I also appreciate that B was told it would take some time for a vehicle matching its preferred specifications to be available. And it is unhappy that the hire vehicle it was provided was withdrawn. However, this hire vehicle was not provided by Allianz. And once Allianz had provided the majority of the settlement in the form of an interim payment, I consider that any consequential loss arising out of the continued valuation dispute was limited.

Allianz offered B £250 to reflect the impact on B by the avoidable issues Allianz was responsible for. However, I note that B had a number of queries about the valuation reached.

Having considered the evidence Allianz's has provided, I don't consider it has been as clear as it ought to have been either. So, I think Allianz should pay B an additional £150 compensation to reflect the ongoing nature of the dispute.

### Summary

Valuing second-hand vehicles is not an exact science, particularly where the vehicle is specialised in nature. I do not consider that it has been demonstrated that the appropriate market value of B's vehicle at the time of the damage should be based solely on its remaining lifespan.

In reaching a valuation, Allianz is entitled to rely on the opinion of experts, where those experts are suitably qualified. However, the reports from such experts do need to provide an appropriate explanation for the value reached. And ultimately, I am not satisfied by the comments and details provided that the reports Allianz has relied upon do this.

In the absence of clearer evidence, from a qualified expert, I consider a settlement of £20,075 to cover the total loss of B's vehicle to be fair and reasonable. Allianz should add interest, at a rate of 8% simple per annum, to the amount over £14,650 from the date the interim payment was made to the date of settlement.

If the claim is settled on a total loss basis, with Allianz paying the full market value, Allianz is entitled to retain the salvage of the vehicle. If B wants to retain the freezer box, Allianz will be entitled to reduce the cash settlement. If the vehicle is rated as salvage category S, B should be given the option of also retaining the chassis, with the cash settlement being further reduced. If the vehicle is salvage category B however, Allianz should be entitled to retain and dispose of the salvage.

Allianz should pay B an additional £150 to reflect the claim handling process and issues with Allianz's communications.

I invite both parties to make any further representations by 6 June 2024. Should both parties agree with the provisional decision, the matter can be resolved at that point. If not, I will reach a final decision. But in the absence of further evidence, that decision is likely to be along the lines of the above."

I invited both parties to provide any further evidence or comments they wished me to consider.

B responded, querying the value Allianz had placed on the salvage. It also explained that it had a licence for dealing with waste, and so could actually dispose of the salvage.

B also provided some further detail about the vehicle and freezer unit. And said this was a unique and essential specialised tool of trade with a known and planned life expectancy, and that its accountant had said that it should be treated with a straight line depreciation. B considered that the valuation methodology used by Allianz was crude and did not demonstrate any expertise by the valuers. So, it felt that its own methodology was of at least equal merit. It also said that the price of vehicles had risen since the claim, so thought the value should be increased by 10%.

B said that Allianz had not supported it in making a claim for the recovery of its uninsured losses and that this was all that it had wanted at the time. B was unhappy that Allianz had dealt with the matter as a claim for a damaged vehicle instead. And B felt penalties should be imposed against Allianz for its claim handling generally.

Having been provided with some of this additional information, Allianz confirmed that its engineer considered the salvage to be category B, and gave some details as to why. Allianz said it had estimated a salvage cost, but that the actual sum it achieved would not have been known until this had been recovered and sold at auction. However, it also said that, given B status, it was willing to allow B to retain the salvage as long as B provided a certificate of destruction to confirm the vehicle had been appropriately disposed of.

Allianz also said that it was willing to settle the claim at £20,075, and to follow the other parts of the provisional decision. Allianz confirmed that it had instructed a firm of solicitors to deal with the claim for uninsured losses. And that it had been asked to deal with the damage claim by B's broker, on B's behalf.

### **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 have come to the same decision as in my provisional decision, largely for the same reasons.

Allianz has agreed to settle the claim based on the vehicle having a value of £20,075. B disagrees with "splitting the difference", as it considers the basis of Allianz initial valuation to be unsound. Whilst I appreciate B's concerns, I explained why I came to this suggested valuation in my provisional decision, as set out above. And whilst I appreciate there are some limitations to how this figure was reached, B has not provided any actual expert evidence to challenge this.

I appreciate B's comments about how Allianz came to its valuation. I have referred to some of these issues in my provisional decision, as above. However, appropriately valuing a

vehicle will involve considering what information there is from the trade guides and then applying the knowledge of the qualified professional making the assessment. Here there was some information available from the guides around the basic truck unit. And Allianz's qualified experts then made adjustments to this to reflect the modifications and specialist nature of the rest of the vehicle. As explained, I have some reservations about aspects of this, and so have increased the valuation I consider to be fair and reasonable. But whilst there were issues with how Allianz's experts came to their conclusions, they were the conclusions of individuals with appropriate qualifications – meaning they were expert opinion.

I note B's comments about the features of the vehicle and freezer unit. And its accountant's comments about straight line depreciation. However, based on my experience of dealing with claims of this nature, vehicles are most likely to have an accelerated depreciation. I appreciate that this might not apply to the freezer unit and also that modifications to the vehicle might not be possible retroactively. But, ultimately, without any evidence from a suitably qualified expert, I consider the claim being settled based on a value of £20,075 to be fair and reasonable.

I also note B's comments on the increase of the price of a replacement since the claim was made. However, B hasn't actually provided any evidence to support this. And, ultimately, the policy provides for the claim to be settled on the basis of the value at the time of the accident. The initial settlement was made within a reasonable timeframe from this. And the redress I proposed included interest at a rate of 8% simple to deal with the fact B has been without the remaining funds since then. I consider this to be appropriate and I understand that B now accepts this point.

I note B's comments over the valuation of the salvage. However, given Allianz is willing to allow B to retain the salvage without charge, I don't consider it necessary to discuss this point further here. B wanted to retain the salvage, and Allianz has agreed to this without charge. I consider that to be fair and reasonable in the circumstances. I would also point out that the difference between the settlement B is seeking and that set out above is potentially less than the value of the salvage, regardless of how this is calculated. So, B may in fact be put in a better position than it otherwise would be by this arrangement.

I have explained to B that the Ombudsman Service does not impose penalties on financial businesses. Our role is to resolve individual disputes. I do though appreciate that B is unsatisfied with certain aspects of Allianz's claim handling.

I have explained to B that I am unable to hold Allianz responsible for any actions of a third party that was not acting on behalf of Allianz. So, if B is unhappy with the actions of N, M, or its broker, it will need to take this up with them directly. Allianz was asked, by B's representative, to deal with the claim for a damaged vehicle and it did this. I appreciate B is unhappy with the valuation reached, etc. but that is what has been dealt with as a part of this complaint. I do not consider Allianz actually dealing with this claim to have been inappropriate.

Allianz was also asked to deal with a claim for the recovery of uninsured losses. I can see that Allianz instructed a firm of solicitors (S), to contact B to progress this issue. Again, if B is unhappy about how S progressed this claim, it will need to take it up with S if possible. (S has now entered a liquidation process.) I have seen no evidence that leads me to conclude Allianz acted inappropriately in regard to this aspect of the claim.

There were some issues with how Allianz dealt with matters overall. However, it offered £250 to compensate B for the impact of these. I have explained above that I consider this should be increased to £400 in total. But I am not persuaded by B's response to my



provisional decision that this needs to be increased further.

I appreciate B's strength of feeling in this matter and that it might remain unsatisfied with the outcome. But I consider a settlement of the claim based on a valuation of £20,075, plus interest being added to the increased settlement, with B being allowed to retain the salvage to be a fair and reasonable resolution to the claim. And I also consider £400 total compensation for the claim handling to be appropriate.

### **Putting things right**

Allianz Insurance Plc should settle the claim based on B's vehicle having been worth £20,075 at the time of loss.

Allianz should add interest, at a rate of 8% simple per annum, to the amount over £14,650 from the date the interim payment was made to the date of settlement.

B can decide to retain the salvage, without charge. But, if it does so, it will need to dispose of the vehicle appropriately and provide Allianz with a certificate of destruction.

Allianz should pay B £400 in compensation, in total, if it has not already done so. If £250 has already been paid, this would mean Allianz will need to pay the remaining £150.

### **My final decision**

My final decision is that I uphold this complaint. Allianz Insurance Plc should settle this complaint as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 26 July 2024.

Sam Thomas  
**Ombudsman**