

## **The complaint**

Mr C complains that Watford Insurance Company Europe Limited mishandled his claim on a commercial vehicle insurance policy.

## **What happened**

Mr C was a decorator.

The subject matter of the claim and the complaint is a van, first registered in about 2013.

Mr C acquired the van in about 2017. He made some additions, including signwriting and a roof rack. He paid for the van on a five-year finance agreement.

For the year from late May 2023, Mr C insured the van with Watford. Any claim for theft was subject to an excess of £525.00.

In early September 2023, Mr C reported that someone had stolen the van.

By 20 September 2023, police had found the van, with some damage.

On 6 October 2023, Watford said the van was a total loss and that its pre-theft value had been £7,932.60 including VAT.

On 16 October 2023, Watford made an interim payment to Mr C as follows:

valuation	£7,932.60
less excess	£ 525.00
less outstanding premiums	£ 245.50
interim payment	£7,162.10

Mr C complained to Watford that it was under-valuing the van.

On 20 October 2023, Watford increased its valuation (by £1,012.80) to £8,945.40 including VAT. On 21 October 2023, Watford made a second interim payment to Mr C of the additional £1,012.80.

By a (first) final response dated 21 October 2023, Watford turned down the complaint about valuation.

On about 25 October 2023, Watford sold the damaged van at auction. Mr C complained about that.

By a second final response dated 2 November 2023, Watford turned down Mr C's complaint about delay and about disposing of the van.

Mr C brought his complaint to us on about 7 November 2023.

DVLA issued a registration document V5 to a new owner of the van in mid-January 2024.

*our investigator's opinion*

Our investigator recommended that the complaint should be upheld in part. She didn't think that Watford's first valuation and interim payment were fair. Also, she thought that Watford ignored Mr C's request to salvage his vehicle and didn't provide clear communication once his vehicle had been sold. She recommended that Watford should pay Mr C:

1. 8% standard interest from when the first settlement payment was made until the final interim payment was made; and
2. £500.00 for the inconvenience and distress that Watford caused to Mr C.

Mr C disagreed with the investigator's opinion. He asked for an ombudsman to review the complaint.

*my provisional decision*

After considering all the evidence, I issued a provisional decision on this complaint to Mr C and to Watford on 21 June 2024. I summarise my findings:

A more appropriate fair market valuation would be £12,065.00.

The increase of the valuation from £8,945.40 to £12,065.00 will require Watford to make an additional payment of £3,119.60.

As Watford should've made that payment on about 16 October 2023, I was minded to find it fair and reasonable to direct Watford to pay interest on that payment from that date to the date of payment.

I'd noted some shortcomings in the way Watford communicated with Mr C. The impact on him included that he felt that he had to chase Watford every other day for several weeks.

I hadn't found that Watford did anything wrong by selling the van at auction.

Subject to any further information either from Mr C or from Watford, my provisional decision was that I upheld this complaint in part. I intended to direct Watford Insurance Company Europe Limited to pay Mr C:

1. in addition to its payments totaling £8,174.90, a further £3,119.60 for the van; and
2. simple interest on that further payment from 16 October 2023 to the date of the further payment. If Watford considers that it's required by HM Revenue & Customs to take off 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; and
3. £500.00 for distress and inconvenience.

Mr C disagreed with the provisional decision. He says, in summary, that:

- He paid £15,500.00 for the van. He spent a further £2,000.00 for sign-written wrap and roof racking and shelves in the back.
- Watford incorrectly told him that it would cost £6,000.00 to repair the van and it was a write off.

- Watford's delay caused his two employees to leave.
- Watford's valuation wasn't enough to replace his van like-for-like.
- His frustration with them made him say he would have to take the doors off and sell them for some money.
- He wanted his roof racking and boxing to sell as he had no income.
- Watford should've paid the full £12,000.00 in the first place.
- After the first interim payment, the van remained his property.
- Watford sold his van without his consent and before a settlement had been made. So they will have to pay his asking price of £18,000.00.
- Watford left him with no van and no income.
- He needs compensation for loss of business.
- It's taken a toll on his health.
- £500.00 isn't enough.
- The van was back on the road with a new owner in January.
- Watford destroyed his credit file.

Watford responded to the provisional decision by asking for clarification on the following points:

- Its value on Glass's was £7,205.00 not £12,065.00.
- It would also like an explanation of the rationale behind £500.00 compensation when the complaint has only been upheld in part.

### **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.

#### Maintenance of the van

From its MOT history, I see that the van failed a test on 3 August 2023 because of defects with brake pipes and a wheel bearing. I accept that Mr C spent money to resolve those defects. The van passed a test the next day with a recorded mileage of nearly 137,000. That sort of expenditure usually maintains the value of a vehicle rather than adding to it.

#### Rent Arrears

Mr C has shown us a letter from his landlord. It says that in early August 2023, the landlord had served a notice to seek possession of his home because of rent arrears.

So Mr C already had financial difficulties before the theft of his van and the insurance claim.

#### Theft and Recovery

The theft was bound to cause Mr C some additional difficulties. It was also going to cost him money for uninsured losses including the excess of £525.00.

It took about two weeks for police to recover the van. Only then could Watford get an estimate to repair the van. That was for about £5,600.00.

### Valuation

Watford's policy required it to compensate Mr C for the market value of the van. The policy defined market value as follows:

*"The retail Market Value based on that listed in the current Glasses Guide for purchasing, or replacing, the insured vehicle with one of the same make, model, age, trim level, recorded mileage and being in a similar condition. Glasses Guide is a motor trade publication recognised and used extensively throughout the motor vehicle industry to value new/used vehicles. Where Glasses Guide is not available or there is a dispute over valuation with Your insurer, We will consider alternative equivalent motor trade publications such as CAP (CAP Motor Research Ltd) or Parkers Guide."*

In assessing what constitutes a fair value we generally expect insurers to review relevant guides to motor valuations - which is also our starting point for most valuation complaints. I've looked at the available guides to assess whether Watford's valuation of £8,945.40 is fair and reasonable. I have reviewed CAP Market Value Manager, Glass's Market Value and Percayso guides, which gave values as follows:

CAP	£ 6,095.00
Percayso	£ 6,899.00
Glass's	£12,065.00

Looking at the valuations produced by the guides, I'm not persuaded that Watford's valuation is fair and reasonable.

This is because the valuation guides have produced valuations which vary significantly from the lowest to the highest. Watford's valuation of £8,945.40 sits in line with some of the lower values produced by the guides, but Watford hasn't shown why this offer is fair, or that Mr C could've replaced his van with a similar one for that amount.

In these circumstances, to be satisfied that Watford's valuation represents a fair valuation, I'd expect to have been provided with other evidence (for example, adverts for vans for sale around the time of the loss, reports from experts etc) to support that a lower valuation point is appropriate. And I'd need to be persuaded that this evidence is relevant and persuasive (and more persuasive than evidence provided by Mr C) before accepting that a lower valuation should be used.

As Watford hasn't provided any other evidence to persuade me that a valuation in line with the higher valuation produced is inappropriate, and to avoid any detriment to Mr C, the highest valuation produced by the guides is my starting point. So, considering the overall variation of values produced, and the lack of other evidence provided by Watford I consider that a more appropriate fair market valuation would be £12,065.00.

### Further damage

I accept that Mr C witnessed some rough handling of the damaged vehicle, which caused further damage to its front. I don't doubt that this upset him. But it didn't affect the pre-theft valuation of the van.

### Sale of the van

Mr C expressed unhappiness with Watford's valuation.

From the call recordings, I consider that Watford told Mr C on about 16 October 2023 that when it made the first interim payment, it would become the owner of the damaged van. However, Mr C believed that the van remained his. He told Watford that nothing should happen to it without his agreement.

Watford made the second interim payment.

Watford sent its first final response well within the eight weeks allowed by the Financial Conduct Authority's rules.

I place particular weight on the recording of the call on 24 October 2023. I don't consider that Mr C was asking to get the van back and to keep it and to pay for repair. Rather, I consider that Mr C was asserting that – because he hadn't accepted the interim payments - he had a right to take parts off the van including its roof rack and even its wheels and doors.

I don't think that on 24 October 2023 Mr C was expressing interest in having first refusal to keep the van. That would've involved him paying out a salvage value and then paying out for repairs. So I'm not persuaded that Watford should've provided more information such as a salvage value.

That call was the day before the auction. So I consider that Watford should've communicated more clearly to Mr C that it was about to sell the van.

Having made the interim payments, I don't consider that Watford did anything wrong by selling the van at auction.

Also, even if Watford had wrongly sold the damaged van, a fair remedy for that would've been that Watford paid some compensation for distress and inconvenience plus the market value of the damaged van insofar as it hadn't already paid it.

#### Loss of business

By 20 October 2023, Watford had paid Mr C the following amounts:

	£7,162.10
	£1,012.80
Total	£8,174.90

Mr C didn't want to buy a temporary van. However, I'm not persuaded that it was reasonable that he didn't use that money to make temporary arrangements such as a temporary van or a hire van.

So I don't share Mr C's view that Watford caused him to be unable to work. And I don't find it fair and reasonable to direct Watford to pay compensation for loss of business or loss of earnings.

#### Mr C's response to the provisional decision

I've found that a fair pre-theft valuation of the van was £12,065.00. I've accepted that Watford received an estimate of about £5,600.00 to repair the van. So, with hindsight, Watford might not have treated it as a total loss.

However, that wasn't Mr C's complaint at the time. He wasn't saying that he wanted Watford to repair the van or that he wanted to replace the van. Rather his complaint was that Watford wasn't paying him enough to replace the van.

Mr C says that Watford's delay caused his two employees to leave.

However, I've noted that following the theft in early September and the recovery on about 20 September 2023, Watford did a valuation on about 6 October and made a payment on about 16 October 2023. I haven't found any unreasonable delay. Further, Mr C hasn't provided enough details of when or why each of his employees left. So I'm not persuaded that Watford caused his employees to leave.

Mr C says that the van remained his property. However, although he expressed that view to Watford, it said it disagreed.

Watford's policy terms included the following:

*"Storage*

*If Your Vehicle is a total loss, We may put it in free and safe storage until Your claim is settled. We will also be entitled to take possession of Your Vehicle once We have settled Your claim."*

And I'm satisfied that Watford "settled" his claim by making its interim payments. So its policy terms allowed it to sell the van.

Mr C says that Watford will have to pay his asking price of £18,000.00. However, that is based on his view that he still owned the van. In any event, I've said that, if Watford had wrongly sold the damaged van, a fair remedy for that would've been that Watford paid some compensation for distress and inconvenience plus the market value of the damaged van insofar as it hadn't already paid it. That wouldn't have amounted to £18,000.00.

I accept that the van was back on the road with a new owner in January 2024. However, I haven't found that Watford did anything wrong by selling the van at auction.

Mr C says that Watford left him without a van, without a business, without income, in debt and with a damaged credit file. He also says that Watford caused him poor health.

However, I've seen that Mr C already had financial difficulties before the theft of his van and the insurance claim. I haven't been persuaded that it was reasonable that Mr C didn't use the interim payments of about £8,000.00 to make temporary arrangements such as a temporary van or a hire van.

So I don't attribute his financial difficulties or his credit rating to Watford. Also, Mr C hasn't provided enough medical evidence. So I haven't found it fair and reasonable to direct Watford to pay compensation for loss of income or for damage to his health.

Watford's response to the provisional decision

Watford questions the Glass's valuation of £12,065.00. However, I've checked that the investigator got that valuation correctly for the van. Further, Watford's salvage company's report included a Glass's valuation of £11,825.00 (but dismissed it because it was nearly double the CAP and Percayso valuations).

Watford also questions the figure of £500.00 for distress and inconvenience.

I've noted some shortcomings in the way Watford communicated with Mr C. The impact on him included that he felt that he had to chase Watford every other day for several weeks. He was upset to find that the van had been sold.

Mr C was further upset when he later found out that someone had repaired the van and it was back on the road with a new owner. However, I haven't found that Watford did anything wrong by selling the van at auction.

Overall I consider that £500.00 is a fair reflection of the impact on Mr C of the shortcomings I've found in Watford's communication.

### **Putting things right**

The increase of the valuation from £8,945.40 to £12,065.00 will require Watford to make an additional payment of £3,119.60.

As Watford should've made that payment on about 16 October 2023, I find it fair and reasonable to direct Watford to pay interest on that payment from that date to the date of payment.

Overall, I conclude that £500.00 is fair and reasonable compensation for the level of distress and inconvenience that I've found Watford caused Mr C.

### **My final decision**

For the reasons I've explained, my final decision is that I uphold this complaint in part. I direct Watford Insurance Company Europe Limited to pay Mr C:

1. in addition to its payments totaling £8,174.90, a further £3,119.60 for the van;
2. simple interest on that further payment from 16 October 2023 to the date of the further payment. If Watford considers that it's required by HM Revenue & Customs to take off 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; and
3. £500.00 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 5 August 2024.

Christopher Gilbert

**Ombudsman**