

The complaint

Mr H has complained about the way Accredited Insurance (Europe) Ltd handled his claim under his commercial vehicle insurance policy and the amount it paid in settlement of it. Reference to Accredited includes its agents.

What happened

Mr H's van was insured under a policy with Accredited, which he took out through a broker. His van was broken into late in November 2022 and damaged. Mr H made a claim under his policy for the damage to the van on 25 November 2022. Accredited appointed a claim investigator to interview Mr H and investigate the claim. It also arranged for his van to be moved to its storage agent. Accredited eventually made an offer of settlement on the basis Mr H's vehicle was a total loss around 20 March 2023. This was based on a valuation excluding VAT and on a proportionate basis at 84%. The proportionate basis was because Accredited thought Mr H had failed to let it know his van had been modified.

Mr H said he wasn't happy with Accredited's offer. So it discussed this with him. It established he wasn't VAT registered and increased its valuation to reflect what it said was the highest value provided by the industry guides it used and to include VAT. Accredited also deducted £200 for some pre-existing damage. And it paid an additional amount of 50% of the original cost of the accessories on Mr H's van.

Mr H also enquired about keeping his van on the basis he'd been told by Accredited it was repairable. However, he was told that Accredited had sold it as salvage. Accredited admitted this was due to an error on its part in not letting its salvage agent know not to do this until Mr H's claim had been finalised.

Mr H complained to Accredited. It issued a final response letter in which it admitted its error regarding selling the van and not making it clear to Mr H it considered it to be a total loss. But it didn't uphold any other aspects of Mr H's complaint. And it didn't offer Mr H any compensation.

Mr H asked us to consider his complaint. When doing so he mentioned he was unhappy with the amount Accredited had paid in settlement of his claim, including its use of a proportionate approach. He also said he was unhappy about the fact that Accredited had allowed his van to be sold. He also complained about the handling of the claim generally. And he later added that the way the claim was handled and the low settlement amount had had an impact on him financially.

One of our investigators considered Mr H's complaint. She said what Accredited had paid in settlement of Mr H's claim was correct and that it hadn't caused any unnecessary delays. However, she suggested it should pay £150 in compensation for the distress and inconvenience Mr H experienced as a result of it disposing of his van.

Accredited accepted the investigator's view. But Mr H did not and asked for an ombudsman's decision.

I've issued two provisional decisions on this complaint and I've included what I provisionally decided and why in the second of these below:

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

While I have noted what Accredited has said in response to my provisional decision, I still do not consider it has shown Mr H failed to make a fair presentation of the risk when he took out his policy in August 2022. On the mileage he explained that he'd been using the van a lot up to this point in 2022, but planned to use it less in 2023. And this means I'm satisfied the estimated annual mileage he provided was reasonable. His van had done about 17,000 miles since December 2021 up to the point it was damaged in November 2022. But this was still in 2022 and it wasn't until 2023 that Mr H intended to be using the van a lot less. So, I think he had a reasonable expectation when he provided an annual mileage of 15,000 that this is roughly what he would do between August 2022 and August 2023.

With regards to the modifications referred to by Accredited. I do not consider a ladder, a roof rack, security locks and some internal shelving would be what most people would consider modifications to a van. I think they'd more likely consider them as accessories or minor improvements. So, when Mr H was asked if his van had been modified I am satisfied his answer of 'no' was reasonable.

And I do not consider his van was sign written because it had some stickers on it. Sign written clearly denotes a full company logo and name and this was not what was on Mr H's van.

I have noted Accredited's comments and evidence with regards to the accessories and now accept Mr H could have replaced these for the amounts suggested by Accredited. This means I consider the £618.33 Accredited allowed for these is fair. It has said it would be willing to pay extra to cover the cost of decals, by which I assume it means the stickers, as it didn't allow anything for these. It is hard to know what these will cost. There were also some seat covers which cost £71 and I don't think it would be possible or reasonable for these to be replaced second-hand. So I think overall if Accredited pays £750 in total for accessories and stickers, this would be fair.

This means the correct settlement amount for Mr H's claim by Accredited should have been £9,796, allowing for its basic valuation, the £200 deduction for pre-existing damage and £710 excess and the revised amount of £750 for accessories. Instead it paid Mr H £8,118.04, because it unfairly settled his claim on a proportionate basis. This means I now think it needs to pay Mr H a further £1,677.96 in settlement of his claim, plus interest. It remains my view for the reasons set out in my provisional decision that the way Accredited handled Mr H's claim was poor. And it incorrectly disposed of his van. And I still think £650 in compensation for the distress and inconvenience Mr H experienced because of these things is fair.

Turning now to Mr H's loss of income. I appreciate Accredited did not receive the authority to obtain the police report from Mr H until February 2023. But I do not think it needed the police report to make Mr H an offer to settle his claim. I say this because it had already disposed of Mr H's van well before receiving the police report. So, it had no option but to accept his claim and decide what to offer in settlement. It caused a delay by not being clear on what it needed for proof of address. And I think from the timeline of events that Accredited should have made an offer to Mr H by the end of January 2023. It didn't actually make one until 20 March 2023. And when Mr H disputed this it did not make it clear he could accept an interim settlement amount and still pursue a complaint. It just said it would consider his complaint and issue a final response. And the settlement amount was wrong anyway,

because Accredited unfairly applied a proportional approach to it for the reasons I've set out above.

This meant Accredited didn't actually make a payment on Mr H's claim until 20 May 2023. This was by cheque and this needed to clear and Mr H needed to organise the purchase of a replacement van. So, I still think he was without a van due to poor claim handling by Accredited from the beginning of February to the end of May 2023.

I think it is also noteworthy that if Accredited hadn't incorrectly disposed of Mr H's van, it could possibly have got it back to him and he could have got it repaired long before it made the payment on his claim. But by disposing of it without his permission or agreement on his claim it denied Mr H the opportunity to get it back and have it repaired.

Mr H has provided a very detailed analysis of what he thinks he lost due to not having a van due to Accredited's poor handling of his claim. And I've provided this to Accredited. It has understandably questioned whether Mr H really lost this amount based on what he said to his broker in September 2022 about spending six weeks in every nine abroad in 2023. But Mr H has now explained this arrangement never materialised. This was partly because he never had the funds to finish renovating his house abroad prior to his claim and then, once his van was damaged, he had no ability to carry on earning income. This meant that by January 2023 Mr H was not in a position to follow his plan to live six weeks in every nine abroad. I've spoken with Mr H about this and considered his email on the subject and I am satisfied with his testimony.

Mr H did go and live abroad from 9 February to 3 June 2023, but I'm satisfied that this was because he couldn't work in the UK and also because he and his partner had the option to live in a family member's house abroad instead of staying at his mother's home. In the circumstances, I consider Mr H lost a considerable amount of income as a result of poor claim handling by Accredited. And I think as part of the fair and reasonable outcome to his complaint he needs to be compensated for this for the period February to May 2023. Mr H has provided a very detailed analysis of his loss of income and supporting evidence, which I've shared with Accredited. And, based on his analysis, I am satisfied that if he'd had the correct settlement he would have earned £30,621 in the period February to May 2023. So, I consider it fair and reasonable for Accredited to pay this as compensation for the net income Mr H lost due to its poor claim handling.

As Mr H was deprived of these funds, I also consider it is fair and reasonable for Accredited to pay interest on the amount due. For the sake of ease this should be from 1 June 2023 to the date of payment at 8% per annum simple. I appreciate Mr H would have had some of these funds earlier than 1 June 2023, but it is hard to know exactly what he'd have done with the money; so I think overall 1 June 2023 is a reasonable date for the interest to start from.

My provisional decision

For the reasons set out above, I've provisionally decided to uphold Mr H's complaint and make Accredited Insurance (Europe) Ltd do the following:

Pay Mr H a further £1,677.96 in settlement of his claim, plus interest at 8% per annum simple from 1 February 2023 to the date of payment.

Pay Mr H £30,621 to compensate him for his loss of net business income. Accredited must pay interest on this amount at 8% per annum simple from 1 June 2023 to the date of payment.

Pay Mr H £650 in compensation for distress and inconvenience.

I gave both parties until 6 June 2024 to provide further comments and evidence in response to my second provisional decision.

Mr H responded to say that he didn't have anything further significant to add and that he accepted my suggested outcome.

Accredited responded to say it didn't agree with what I'd provisionally decided and it provided further comments which I've summarised below:

- It accepted that it disposed of Mr H's van in error and that compensation is due to him.
- It accepted Mr H's explanation on the mileage discrepancy and this was not a factor when it worked out its proportional settlement for Mr H's claim.
- It maintained that Mr H did fail to declare that his van had been modified and it still considered it was entitled to settle his claim proportionately because of this.
- It questioned my award for loss of earnings and raised various points.
- It pointed out that Mr H said in a call to his broker in September 2022 that he'd done everything he needed to do to enable him to spend six weeks in every nine in France in 2023, meaning he'd only work three weeks in every nine.
- Mr H did not mention that he'd lost money until he raised his complaint in March 2023. And when he did this he said he wanted £5,000 in compensation for not working for three months.

Accredited's response led to me requesting some further information from Mr H, including his tax returns for the periods 22/23 and 21/22. I also asked for some bank statements that were missing to show the income he'd suggested he received had come in. It also led to me suggesting I was only going to allow Mr H six weeks loss of income in the four months he was without a van due to failings on Accredited's part on the basis I was persuaded he would have only been working for six weeks in this period if his van hadn't been damaged. Plus, I said I was going to base my award on a net profit figure of £1,634 per week to reflect the expenses Mr H saved, including wages.

I also let Accredited know of my intention in this regard.

Mr H came back with a detailed explanation of how it had become clear by October 2022 that his plan to spend six weeks in every nine in France was not going to work due to his major suppliers of work not being happy with his limited availability. He explained it was also not feasible due to a lack of funds. I haven't gone into more detail on this, as Accredited and Mr H are fully aware of his full explanation.

Accredited also suggested that any award I make for loss of profit to Mr H should be after higher rate tax is deducted. But I explained to Accredited that this is not something that's my responsibility and that it would be for Mr H to declare this amount to HMRC if he is required to do so.

Accredited also reiterated its point that what Mr H said when he first mentioned compensation for loss of business was that he wanted around £5,000. It thinks this and his bank statements and other documentary evidence support its view that his residency in 2023 had his van not been stolen would have led to him receiving less income than he has suggested he would have received.

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.

This complaint and decision process has been long and protracted and there have been numerous emails between me, Accredited and Mr H on the outcome to his complaint and the correct compensation. In view of this, I do not propose to go into great detail in this section of my final decision, but I will instead set out what I think the fair and reasonable outcome to Mr H's complaint is with my reasons briefly.

It remains my view that Mr H did not fail to make a fair presentation of the risk he was asking Accredited to cover when he took out his policy. I do not consider his van had been modified to the extent that he needed to declare it. I appreciate it had some stickers on it, but I do not consider this means it could be said to have been sign written. And I do not consider the roof rack and ladder and any internal changes would be what most people would class as vehicle modifications when taking out a policy for a van. It therefore follows that I still consider Accredited's decision to settle Mr H's claim on a proportionate basis was unfair.

I explained in my second provisional decision what I think the correct settlement for Mr H's claim for his van is. And my view on this hasn't changed for the above reason and for the reasons I set out in my provisional decisions.

My view on the compensation Mr H should receive for distress and inconvenience hasn't changed either for the reasons set out in my provisional decisions.

Turning now to Mr H's loss of income/profit. I have carefully considered Mr H's very detailed explanation on why his plans to spend six weeks in every nine in France in 2023 changed, alongside the evidence he has provided to support his explanation. And I am now satisfied that his plans had changed before his van was damaged. And that if Accredited had handled his claim reasonably and he hadn't been without a van for a period of 17 weeks between February and June 2023, he would have earned income in this full period.

I've also considered the financial evidence Mr H has provided. And my view is that if he hadn't been without a van, it's more likely than not that he'd have earned an average net profit of £1,634 per week in the abovementioned period of 17 weeks. I've set out how I arrived at this amount in emails to both Mr H and Accredited. Therefore, I do not think I need to repeat it here. This means I think it is fair and reasonable for me to conclude that Mr H lost £27,778 due to Accredited's failings in this period. And this is what I think he should receive in compensation for loss of income as part of the fair and reasonable outcome to his complaint. He should also receive interest on this amount as compensation for being without these funds, as explained in my second provisional decision. I do not consider tax needs to be deducted from the compensation, but it is likely Mr H will need to declare the fact he has received it to HMRC. But Accredited can deduct tax at source from the interest payable if it wishes to.

I do of course appreciate some of the wages I've allowed for in my savings on expenses were paid to Mr H's partner. But if he had worked in the 17 weeks the amount I've allowed for not paying wages would have been a saving to him personally. And it is only appropriate for me to award compensation based on his personal loss.

Putting things right

For the reasons set out above, in my provisional decisions and in my emails to Accredited and Mr H, I've decided to uphold Mr H's complaint and make Accredited do the following:

- Pay Mr H a further £1,677.96 in settlement of his claim, plus interest at 8% per annum simple from 1 February 2023 to the date of payment.*

- Pay Mr H £27,778 to compensate him for loss of profit to his business. Accredited must pay interest on this amount at 8% per annum simple from 1 June 2023 to the date of payment.*
- Pay Mr H £650 in compensation for distress and inconvenience. Accredited must pay the compensation within 28 days of the date on which we tell it Mr H accepts my final decision. If it pays later than this, it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

*Accredited must tell Mr H if it has made a deduction for income tax from the interest payable. And, if it has, how much it's taken off. It must also provide a tax deduction certificate for Mr H if asked to do so. This will allow Mr H to reclaim the tax from His Majesty's Revenue & Customs (HMRC) if appropriate.

My final decision

I uphold Mr H's complaint and order Accredited Insurance (Europe) Ltd 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 H to accept or reject my decision before 12 August 2024.

Robert Short
Ombudsman