

## **The complaint**

Mr B complains about his insurer Admiral Insurance Company Limited (Admiral). Mr B is unhappy at the way Admiral handled a claim under his motor insurance policy for water damage to his vehicle.

References to Admiral also include their agents.

## **What happened**

Mr B was away in December 2020 and on his return his vehicle wouldn't start. The vehicle was found to be waterlogged, damaging the electrical and mechanical systems. Mr B had the car collected by a garage and contacted Admiral to lodge a claim. Admiral arranged for the vehicle to be collected so they could inspect it and assess the claim. Admiral made a settlement offer of £5,440 (less the policy excess) which Mr B accepted. Mr B changed the vehicle registration document to transfer the vehicle to Admiral's salvage agent.

Admiral then told Mr B that they were cancelling payment of the settlement figure as their engineer said the cause of the damage was wear and tear which wasn't covered under Mr B's policy. Mr B was unhappy at the change of position and complained to Admiral. Admiral appointed an engineer to inspect the vehicle and report on the cause of the damage. Admiral then contacted Mr B to say the engineer's report supported their decision to decline the claim, as the cause of the damage was a failure to keep the vehicle in good order.

Mr B complained again to Admiral because he didn't think the engineer's report supported Admiral's decision. Admiral upheld Mr B's complaint, saying that they hadn't investigated Mr B's first complaint correctly. Admiral said that they had commissioned a further engineer report to determine the cause of the damage. Mr B was unhappy at this, as an assessment had already been carried out that didn't support Admiral's decision. Admiral then contacted Mr B again to say that a second assessment had taken place, which did conclude that the cause of the damage was wear and tear and so not covered by Mr B's policy.

Mr B then complained to this service. He was unhappy at initially being made a settlement offer that was withdrawn, and that he was offered the salvage value of the vehicle. Mr B asked for compensation for the delays in handling his claim and subsequent complaints, as well as his being misled about the initial engineer's report findings.

Our investigator upheld Mr B's complaint. He concluded that while Admiral had reached the right decision to decline Mr B's claim as the cause of the damage wasn't covered by his policy, they hadn't treated Mr B fairly. The investigator said that Admiral should put things right by offering Mr B £400 for the salvage value of his car (offered to Mr B by a scrappage company) plus £100 Mr B had to pay the company to remove the car and cancel the offer. The investigator also thought Admiral should pay £300 for time and inconvenience to Mr B and a further £300 for the way that they handled his claim.

Admiral disagreed with the investigator's conclusion on paying the £400 salvage offer for the vehicle, as they said that the value of the vehicle under their contracted salvage rates was £108.80. But they agreed to offer £600 in compensation and the £100 paid by Mr B to the

salvage company. Mr B was unwilling to accept this offer and requested that an ombudsman review the complaint.

### **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.

My role here is to decide whether Admiral has acted fairly towards Mr B.

The first issue in this complaint is whether, having initially offered Mr B a settlement for the value of the car, Admiral acted fairly in then changing its position and declining his claim on the basis that the cause of the damage wasn't covered under the policy. From the case notes provided by Admiral, it seems that the settlement offer was made before any engineer assessment of Mr B's vehicle was carried out. Admiral have said that when making the offer, it was conditional on a subsequent assessment to confirm that the cause of the damage was an insurable event under the policy. Mr B says that this wasn't made clear to him.

Looking at the case notes, it seems that when Mr B contacted Admiral about making a claim, it was over a month after he had returned to find his vehicle wouldn't start. And that he had already contacted a scrappage company in respect of disposal of the vehicle. At that point Admiral took over the vehicle with a view to inspecting it and assessing the claim. The case notes record the settlement figure being raised but then cancelled and the engineer assessment process initiated. There's a comment two days after the claim was made noting that the damage was caused by failure of seals, allowing water to enter the vehicle, and that this would be mechanical failure and not an insurable event. The need for a further inspection was noted, and this was advised to Mr B the following day.

It's also clear from both the case notes and the report itself that the initial engineer assessment didn't provide a clear conclusion as to the cause of the damage. It was only subsequently, during Admiral's consideration of Mr B's second complaint, that a separate, specialist engineer inspected the vehicle and identified the cause of the water getting into the vehicle (defective sunroof seals). I'm persuaded that this was the cause of the damage, and that it wasn't an insured peril under the terms of Mr B's policy. So I've concluded that Admiral acted reasonably in declining Mr B's claim.

However, the sequence of events to arrive at that conclusion took significantly longer than it should have done (over three and a half months from when Mr B initially made his claim). And it was only when Mr B saw the first engineer report that he noted that it didn't provide a clear conclusion on the cause of the damage and therefore didn't support rejection of his claim. I agree that in this respect, Admiral didn't act fairly towards Mr B.

It's also clear from what happened that Admiral took much longer than it should have done in handling both Mr B's claim as well as his complaints. Admiral's response to Mr B's second complaint acknowledged that the first complaint wasn't handled correctly, and this is supported by the case notes. It's also clear that Mr B spent a considerable amount of time in contact with - or trying to contact - Admiral, and they acknowledge that this is very possible to have been the case. This may in part have been due to the impact of the covid pandemic and the consequent restrictions that were in place for at least part of the period.

Having concluded that Admiral didn't act fairly towards Mr B, I've considered the question of what Admiral should do to put things right. I've noted that our investigator suggested Admiral pay £300 for time and inconvenience caused to Mr B and a further £300 for the way that they handled his claim. Admiral have accepted these sums. Taking account of the circumstances I agree that these are fair and reasonable amounts.

A further aspect of cost relates to the salvage value of Mr B's vehicle. I've noted that Mr B said that he had an offer for the salvage value of the vehicle before Admiral took over the vehicle when he lodged his claim. And that subsequently Mr B paid the salvage company £100 to cancel the offer. Our investigator thought that Admiral should pay Mr B this sum and I note Admiral have agreed. Again, I think that's fair and reasonable.

The aspect that isn't agreed is the salvage value of the vehicle. From the evidence I've seen, the cost to repair the vehicle was going to be high enough to render it a total loss. It appears Mr B had already contacted a scrappage company, suggesting he was intending to dispose of his vehicle. Mr B was also provided evidence of the scrappage company offering £400 for his vehicle. While the vehicle was transferred to the salvage agent when Admiral took over the claim, had that not happened (and given that Admiral then declined the claim) then I think it's reasonable that Mr B should receive a fair salvage sum for his vehicle.

Admiral have said – and offered to pay Mr B – what they describe as the value of the vehicle under their contracted salvage rates. However, given the evidence provided by Mr B of the offer he had received from the scrappage company, I'm persuaded that this is what he otherwise would have received for the vehicle had he not lodged his claim with Admiral. So, to put Mr B in the position that he would have been, I've concluded that Admiral should pay the figure offered to Mr B by the scrappage company (£400) rather than their own contracted salvage rates figure.

### **My final decision**

For the reasons set out above, it's my final decision that I uphold Mr B's complaint. I require Admiral Insurance Company Limited to:

- Pay Mr B £300 for distress and inconvenience and £300 for how they handled his claim.
- Pay Mr B £400 for the salvage offer made by the scrappage company for his vehicle, as well as the £100 fee for cancellation of the offer.

Admiral Insurance Company Limited must pay the sums within 28 days of the date on which we tell them Mr B accepts my final decision (unless they have already made any payments to Mr B). If they pay later than this, they must also pay interest on the costs from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 11 August 2021.

Paul King  
**Ombudsman**