

## **The complaint**

Mr K has complained that Admiral Insurance Company Limited (Admiral) has undervalued his car following the theft of his vehicle.

## **What happened**

Mr K's car was stolen so he made a claim. Admiral offered Mr K £14,220 as a total loss settlement.

But Mr K wants Admiral to pay what he thinks the car is worth. Mr K says that from his own research to get a like for like replacement it would cost him around £15,200. He also says that by undervaluing the car he is now out of pocket as he has to make up approximately a £1,200 differential between what he owes on finance and what Admiral has paid. He is also a further £252 out of pocket due to an arrears payment he now owes.

An investigator from our service looked at this complaint. The investigator felt that Admiral hadn't made a fair offer and suggested that Admiral increase its offer to £14,634.33. The investigator also suggested a £150 compensation payment for the inconvenience caused.

But Admiral doesn't agree, and it's asked for an ombudsman to 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.

Having done so, I'm planning on upholding this complaint in part. I'll explain why.

Mr K is unhappy with the valuation that Admiral has placed on his car. Mr K says that he and his family have just gone through a traumatic experience where they had suffered a burglary. And now Admiral are compounding that suffering by undervaluing his car. He says that Admiral should be paying what's owed on the vehicle, and that he shouldn't be left out of pocket for this. Mr K says Admiral are valuing the incorrect model of vehicle, the MK7 model, whilst his is a MK7.5 facelift model with added extras. He also states what Admiral is offering will not get him the spec of car he's lost. His is a white car he says it's worth more on the market.

Our approach is to consider whether Admiral has settled Mr K's claim in line with the terms and conditions of his policy, fairly and reasonably. So, I have considered the terms of the policy and the offer made in order to determine whether Admiral have acted fairly. I can see that in the event the car can't be repaired, Admiral won't pay more than the market value of the car at the time of the loss.

Market Value is defined as *"The cost of replacing your vehicle; with one of a similar make, model, year, mileage and condition based on market prices immediately before the loss happened. Use of the term 'market' refers to where your vehicle was purchased. This value is based on research from industry recognised motor trade guides"*.

Our usual approach to complaints about car valuations is similar to Admiral's and that is to look at motor trade guides for valuing second-hand vehicles. We find these persuasive because their valuations are based on nationwide research and likely selling prices. The guides refer to advertised and auction prices to work out what the likely selling price for the same vehicle would be. This takes into account all the specifications of the vehicle as well as any extras and the mileage. If a guide price is significantly higher or lower than the others, we may think it's reasonable to ignore it. This depends on the value of the vehicle.

Customers sometimes say the amount they've been paid is unfair because they've seen similar vehicles advertised at higher prices. We wouldn't normally place as much weight on adverts to decide whether a valuation is fair. Differences in mileage or year of registration can significantly affect value. But adverts can be indicative of what's really going on in the market. And they can be helpful if the complaint involves a classic or rare model or if they strongly indicate that the guides could be wrong.

I've checked the motor trade guides for the value of Mr K's car at the time of the incident and they produced the following valuations:

CAP £14,200; Glass's £14,220 and Cazana £15,483.

Admiral has offered a value of £14,220. It says this is the highest valuation it was able to obtain. It says that the figure from Cazana is over £1,200 higher than the CAP or Glass valuation which clearly indicates the value from Cazana is an outlier and therefore should be discarded in line with Financial Ombudsman Service approach. Admiral says the car is not a classic or rare car and as such including the Cazana valuation it is unreasonable.

As a service we generally use two approaches to provide a fair value using the data from the trade guides alongside all other evidence. We utilise as many trade guides as we can and use the values provided. If the values vary greatly, we might think it's reasonable to ignore any outlying valuation. Or alternatively we might take the average of all the valuations we've received. But the key is that we use an approach that feels fair. So, if there's varying valuations presented, we don't just look at the guides and decide. We'd look at everything that's been provided on the file, engineers comments, trade guides, and even advertisements, to ensure the consumer is getting a fair valuation for the vehicle.

In this case Admiral didn't use Cazana. But it's an available trade guide, so I will be using it. Further to this I'm not convinced that the Cazana valuation is such an outlier that it should be discounted. Mr K has submitted a few valuations, and from what I can see they are identical models with similar mileage and include the added extras that Mr K had. These advertisements are all coming in at around £15,500. Helpfully the Cazana valuation tool also provides us with details of similar specification vehicles that have sold in the UK. And from this information I can see that this type of vehicle, with mileages ranging from 40,000 to 70,000, is selling for between £15,000 and £18,000, and all inside the last 10 months in the UK.

So, I think we should look at everything we have and not just two specific trade guides. The criteria that drive the price are so varied, and some very specific criteria such as age, mileage, or additional extras play a big part in determining the price. Because of this it makes sense to rely on the guides and also use the data provided by Mr K to make sure the valuation is fair.

But I need to stress, it's not up to this service to place an exact valuation on Mr K's vehicle. It's our role to make sure Admiral is giving Mr K a fair valuation. And in this instance, given all the evidence on file, I think the valuation Admiral has placed on the vehicle is too low. So,

based on the information provided about Mr K's car I'm satisfied we should include the Cazana valuation and I think the fairest approach would be to take the average of the three guides, which in this case is £14,634.33. This is the amount Admiral should pay Mr K for his car (less any applicable excess).

I appreciate that Mr K wants Admiral to pay what he owes on the finance on this car. But market value as defined in the policy is the cost of replacing the car. Market value doesn't mean that any outstanding finance will be paid over and above the market value. That's not what this specific insurance is for. So, the approximate £1,200 differential owing on the car and the £252 in additional charges are Mr K's responsibility and are not costs we would be asking Admiral to cover.

However, I do note that our investigator did recommend that Admiral pay £150 in compensation to Mr K for the inconvenience caused. And I agree. Mr K was caused an inconvenience because Admiral didn't pay him a fair value for his car. And I'm satisfied £150 is a fair amount of compensation for this.

### **My final decision**

For the reasons set out above, my final decision is to uphold this complaint in part.

I require Admiral Insurance Company Limited to do the following:

- pay Mr K £14,634.33 less any applicable excess for his car. If Mr K has already received a payment, Admiral should pay the difference up to this amount.
- pay 8% simple interest on the amount being paid to Mr K from the date the claim was made to the date of payment.
- pay £150 in compensation to Mr K for the inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 28 October 2021.

Derek Dunne  
**Ombudsman**