

The complaint

Mr L has complained about his motor insurer Admiral Insurance Company Limited, in respect of a claim he made to it after he was involved in an incident with a parked lorry.

What happened

Mr L notified Admiral that he had been manoeuvring around the left hand side of a parked lorry when the lorry moved and collided with Mr L's driver's side door and wing mirror, causing some moderate damage (to the driver's side wing mirror, with a dent and scratches to the door). Admiral said it thought he had been at fault for the accident.

Having seen photos of Mr L's car, and having considered its market value, Admiral said it was treating the car as a total loss. Mr L was unhappy about that, the way he'd been spoken to and in respect of some advice he'd been given, which he felt was poor. He withdrew his claim. Admiral said it would cancel his policy unless he got an MOT showing the car was roadworthy. Mr L got an MOT but Admiral cancelled the policy in the meantime and then reinstated it. Mr L was charged a £25 admin fee.

Mr L, remaining unhappy with Admiral, later asked to cancel the policy. He believed that as he'd withdrawn his claim he'd be able to obtain a partial refund of premium. Admiral said it couldn't refund the premium as it had received and dealt with a claim from the insurer for the lorry. Mr L was upset as he hadn't been told about any claim made in respect of the lorry. Admiral said it wasn't part of its process to tell policyholders this type of information, not unless they ask.

But Admiral did accept it had given Mr M some poor service. So it offered him £50 compensation. And said it would reimburse Mr L the £25 admin fee charged when it had cancelled then reinstated Mr L's policy. Mr L complained to us.

Our investigator felt that Admiral's decisions and responses, including the offer of compensation (although she referred to a higher amount), had been fair and reasonable in the circumstances. Mr L remained unhappy. Our investigator, having checked with Admiral, assured Mr L that it would be sending him details of the claim it had dealt with for the lorry driver. Mr L wasn't prepared to accept our investigator's findings. So his complaint was passed to me to consider.

I felt the complaint should be upheld as I thought Admiral hadn't always dealt fairly with Mr L. And it needed to do a number of things to put matters right. But I wasn't minded to make it review its total loss decision or revise the market value of £615 it had ascribed to the car.

Admiral responded to my findings stating it had nothing further to add. Mr L said he was pleased by them.

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.

I said provisionally:

"total loss"

Mr L made a claim to Admiral and it was then up to it to assess it. Insurers will often want to examine a car – but not always. Completing assessments and the like come at a cost. So an insurer will sometimes make a business decision as to whether it's worth expending that kind of outlay. In some situations – where a car is older for example, with a limited market value – an insurer might decide that dealing with the matter without a formal assessment, thereby keeping the claim outlay to a minimum, is a reasonable way forwards. I think that is what Admiral did here and, in principle, I don't think that was an unfair thing for it to do.

But I say in principle, because Admiral still has to take care, when doing that, to come to a reasonable decision in respect of Mr L's car. I see that it was one of Admiral's in-house engineers that made the total loss decision. An engineer, in this context, is seen to be an expert and their opinion carries weight. I see the engineer referred to a trade guide – used for finding the value of second-hand cars – to determine the likely market value for the car. And took into account that it did have some signs of wear – such as to the bumpers. The engineer appears to have taken into account that wear of this nature would affect the market value for the car, and I've no reason to think the engineer was likely wrong in this respect. I think, given the detail available, a reasonable decision was made.

I'd add that I've considered the trade guides and applied the sum the engineer factored in for the wear of the car. Using two trade guides, and taking into account the effect of the wear, generates an average market value for the car of £582. I see from Admiral's file that it first valued Mr L's car at £500, and later this was revised to £615. I think it's reasonable to discount the first value as its quite a bit lower than the average I've found. But Admiral's value of £615 was in the region of £582. So, I think £615 is a fair value and means Admiral completed a reasonable costing exercise.

I know that Mr L would like the cost of a repair he undertook before the accident taking into account. But when a car is sold it is expected to be in good running order. So the cost of normal maintenance and repair, such as Mr L paid for, doesn't usually increase what the car would sell for. So if Mr L had looked to sell his car immediately after her repaired it, before the accident occurred, he wouldn't have seen the cost he had paid for repair reflected in the price he was reasonably able to ask for, or likely to attain, when selling the car.

I appreciate that Mr L is frustrated at having his car declared a total loss on the basis of some relatively minor cosmetic damage. But, given the limited market value for the car it seems likely to me that even the limited damage sustained would make it an uneconomical proposition for an insurer to repair. And that would make it a total loss for insurance purposes. Admiral, like most insurers I'm aware of, follows an industry recognised code of practice that requires it to register a car as a total loss shortly after making that determination. That's what it did in this case and I think Admiral acted fairly and reasonably. So I'm not going to require it to review or revise that.

Admiral cancelling the policy and demanding an MOT

Because the car was viewed as a total loss, Admiral cancelled Mr L's policy. The policy did entitle it to do that. Therefore, on the face of it, Admiral did nothing wrong. However, Admiral had told Mr L that it wouldn't do this straightaway. And, upon review, it noted it had known Mr L was keeping the car. So it accepted it shouldn't have cancelled the policy as it did. The policy had been reinstated at a cost to Mr L of £25. In light of the fact it had determined it shouldn't have cancelled the policy, Admiral reimburse this amount to Mr L, I think that reasonably put him in the position he should have been in without the error occurring. But it

doesn't account for the distress and inconvenience the error caused. I'll take that into account when I consider compensation.

I know Mr L is worried that he might have driven whilst being uninsured. But he didn't do so, as far as I'm aware he was always covered when he was driving his car. That means he suffered no more than a bit of worry about what might have been as a result of Admiral's actions. And that isn't something I usually award compensation for.

When talking with Mr L about the damage to the car, Admiral had required him to obtain an MOT. Its engineer said it wasn't clear if the door might be structurally damaged. I think that whether this was a question of continuing the cover of reinstating it following its cancellation, it wasn't unreasonable for Admiral to have asked for an MOT to be done. Admiral wanted to be sure the car was still a risk it wanted to offer cover for. I note that the car was driveable, an MOT could be completed at minimal cost (compared to what it might cost Admiral to send an engineer to check the car) and Mr L had withdrawn his claim. So I don't think it was unreasonable for Admiral to insist on an MOT being obtained.

I know that when Mr L got the MOT, the door wasn't mentioned as an issue. But that doesn't mean that Admiral's engineer's concern that the dented door might have posed a safety risk was unfounded. Rather the door not being mentioned on the MOT only serves to show it didn't pose a safety risk – and it was exactly that which Admiral wanted to be satisfied of in order to continue insuring the car.

Not telling Mr L about a claim from the other driver

Mr L told us that when he tried to cancel the policy, Admiral told him he wouldn't get a refund of any premium as it has dealt with a claim from the lorry driver's insurer. Mr L was unhappy as this was the first he'd heard about a claim from the lorry driver.

I note Admiral has said its processes don't allow for it to tell a policyholder about its handling of a claim like this. Further, Admiral says it will tell a policyholder once a claim from another driver is concluded, or if the policyholder asks about what is happening. But I'm not persuaded that's reasonable. Mr L is the policyholder and I think it's wholly reasonable that he would want to know about activity occurring on his policy, especially where a claim has been made against him. Not least because it affects the claims history he could be required to give to other potential insurers. While Mr L's policy, as most in the market do, allows Admiral to handle the other driver's claim and make decisions on it without seeking Mr L's agreement, that doesn't mean it's reasonable to keep him in the dark about what is happening. It simply isn't and I fully understand Mr L's frustration in this respect. I'll be talking that into account when I think about compensation.

I know Mr L doesn't actually believe Admiral has had a claim from the lorry driver – that it's contrived the claim to prevent it from needing to reimburse him any premium. But I've seen its file notes that reflect a claim was received and dealt with. And it's clear to me that, from the outset, based on what Mr L told it about the accident, that it viewed him as being at fault. So I can understand why, when the lorry driver's insurer approached it, Admiral accepted liability for the reported damage without question.

Mr L's withdrawal of his claim

When Mr L was discussing his claim with Admiral, he seems to have made a decision to withdraw it based on the fact that otherwise his loss would be recorded as a fault claim which would affect his premium. Seemingly to avoid that occurring and because he was aware that any settlement Admiral might pay to him wouldn't be more than a few hundred pounds, he withdrew his claim. He was also clearly of the understanding that as there wasn't (as far as he was aware) a claim on the policy, he could cancel for a refund of unused premium. But the claim from the lorry driver was just as capable of affecting Mr L's future

premiums as any claim Mr L made against his own policy. And the lorry driver's claim also meant Mr L wasn't entitled to a premium refund upon cancellation. But Admiral didn't explain that to Mr L. So it seems to me that Mr L made the decision to withdraw his claim without being given all the relevant facts necessary to allow him to make an informed decision in this respect. I don't think that was fair of Admiral.

Now Admiral may say that the claim from the lorry driver only came later, after Mr L had withdrawn his claim. But Admiral could have chosen at that time to tell Mr L about the lorry driver's claim, letting Mr L know what this meant for his cover. I think it would then have been reasonable for it to have also asked Mr L if he wanted to review the decision that he'd made to withdraw his own claim. I can't be sure if he would have done. But given;

- he could no longer protect his future premium;
- he wouldn't be entitled to any premium refund on cancellation;
- the total loss marker applied to his car couldn't be changed;
- the car was still drivable and Mr L could keep it;

I can't see why he wouldn't have wanted the benefit of the cash settlement he'd have been entitled to in settlement of a claim for the car's 'total loss'. If Mr L confirms to Admiral that he does want his claim for his damaged car to be logged, it should do so and then settle it. The fair market value for the car set by Admiral, as I said above, was £615. From that sum Admiral can deduct Mr L's policy excess of £250 and an amount for 'salvage' because Mr L is keeping the car. That leaves Admiral needing to pay Mr L, assuming Mr L agrees to progress the claim, £266.60.

As I said above, I think Mr L, given the right information, would have decided quite some time ago to progress the claim. Assuming he does so now, I think Admiral should add interest to the settlement sum at 8% simple a year from the date it acknowledged the lorry driver's claim until settlement is made.

compensation

From what I can see, Admiral only offered Mr L £50 compensation. It sent him a cheque for £75.00, which was the £50 plus the £25 admin fee refund. But I don't know if that cheque was cashed. In any event. I don't think £50 is fair and reasonable compensation. Having considered everything, I note that Mr L has had to sort out reinstating the policy when Admiral cancelled against an agreement it had made with Mr L not to do so. I accept this was also frustrating for him. And I've also noted above that Admiral should have told Mr L about the lorry driver's claim. I can understand why Mr L was worried and concerned when he found out about that. I also note that Admiral itself accepts that one of its call handlers didn't deal with Mr L in a particularly professional manner. I can see that would have been upsetting for Mr L. Overall I think that fair and reasonable compensation for him is a total of £250. If Admiral has paid any part of that already – and if that's been by cheque, if the cheque has been cashed – it will now only have to pay the difference outstanding.”

As Admiral hasn't raised any further comment for me to consider, and Mr L is pleased with my findings, I've no need to change them. My provisional findings are now those of this, my final decision.

Putting things right

I require Admiral to:

- If Mr L confirms he wants his claim progressed, log the claim and pay Mr L £266.60 in full and final settlement of it – being the market value (which takes into account pre-accident damage) after the policy excess and an amount for salvage (allowing Mr L to keep the car) are applied.

- On the settlement sum, add interest* from the date the lorry driver's claim was acknowledged until payment is made.
- Pay Mr L a total of £250 compensation. If any part of that sum has been paid already (with any cheques sent having been cashed by Mr L), only the difference remaining now needs to be paid.

*Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. If Admiral considers that it's required by HM Revenue & Customs to take off income tax from any interest due to Mr L, it should tell him how much it's taken off. It should also give Mr L a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

I uphold this complaint. I require Admiral Insurance Company Limited to provide the redress set out above at "*putting things right*".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 22 April 2022.

Fiona Robinson

Ombudsman