

The complaint

Mr W has complained that Admiral Insurance Company Limited (Admiral) undervalued his vehicle following a total loss settlement claim he made on his motor insurance policy.

What happened

Mr W was involved in an accident and he submitted a claim on his motor insurance policy. His vehicle was deemed a total loss and Admiral offered Mr W £12,950 (less an excess of £500) to settle the claim as it said this represented the market value of the vehicle involved.

But Mr W doesn't think this offer is fair and wants Admiral to pay what he thinks the vehicle is worth. Mr W says to get a like for like replacement it would cost a lot more. Mr W says this vehicle is worth closer to £14,000 or even £15,000 and it's impossible to get something similar for the amount Admiral is offering.

An investigator from our service looked at this complaint and said the valuation placed on the vehicle by Admiral was fair.

But Mr W doesn't agree, and he'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 not upholding this complaint. I'll explain why.

Mr W says the valuation guides we use don't take into account the current price hikes we've seen in the UK car market. He says the Covid19 pandemic has had an impact on current market values and this is not reflected in the offer he's receiving for his vehicle from Admiral.

Mr W says the valuation guides work off an algorithm from the previous 12-months of data, which he says is not in line with current market values. He says that the incident he was involved in occurred in October 2021, not long after one of the government-imposed lockdowns. He says non-essential business was closed, and this would've affected the "data" used by the trade guides. He says the data used by the valuation guides is limited and not a true reflection of the market.

Mr W says looking at today's prices (March 2022) a similar vehicle with an identical specification is £14-£15k. He says he's had this vehicle from new, so it's had one owner only, has a full-service history and is in a desirable colour. Mr W says as a member of the general public there's no scope any more to haggle or bargain, and there's no way he could get a 10% reduction in price from what he's seen on the market. Mr W has provided some links and a screen shot of similar vehicles for sale.

This service has an established approach to valuation cases <https://www.financial-ombudsman.org.uk/consumers/complaints-can-help/insurance/motor-insurance/vehicle->

valuations-write-offs And when looking at the valuation placed on a vehicle by an insurance company, I have to consider the approach the insurer has adopted to decide whether the valuation is fair in all the circumstances. It isn't the role of this service to come to an exact valuation for a consumer's vehicle. Our approach is to consider whether Admiral has settled Mr W's claim in line with the terms and conditions of his policy, fairly and reasonably using our established approach.

So, I've considered the terms of the policy and the offer made. And I can see that in the event the vehicle can't be repaired, Admiral won't pay more than the market value of the vehicle 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 vehicle valuations 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 any guide's 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. And that can sometimes be the case. And especially in today's volatile market, we would always consider all evidence submitted as long as it's relevant. But differences in mileage or year of registration can significantly affect a vehicle's value. Adverts can sometimes be helpful if they strongly indicate that the guides could be wrong.

I've checked the motor trade guides for the value of Mr W's vehicle at the time of the incident and they produced a range in values from £12,900 to £13,537

Admiral has placed a value of £12,950 on Mr W's vehicle. And taking everything that's been submitted into account, I can't conclude that Admiral's offer is unreasonable. I say this as Admirals offer is fair and in line with our approach.

However, Mr W makes some points that I'd like to address. Mr W says the algorithm the trade guides use runs off 12-month data and that the current inflation of vehicle valuations is not reflected in these guides. Mr W also questions the origin of the data due to the fact a lot of car businesses were closed during the pandemic. And I can see why he has these concerns. There were periods in 2020 and 2021 where garages were closed. But car sales continued, both online and in a private capacity. So even though there was less data to work on, there were still car sales happening, so there was data to run the valuation guides. Further to this we use three guides that are used across the insurance industry. And I can confirm that two of these guides update their data daily, whilst the other one updates monthly. So, I can't agree with Mr W's 12-month data argument. I do agree there has been a rise in the market value of second-hand vehicles, mainly driven by the pandemic, and other external factors. But I'm confident the prices generated by the trade guides reflect current market conditions, given how frequently the data is run.

Further to this Mr W talks about today's prices and the cost of replacing a similar vehicle with an identical specification today. But the policy only provides cover for market value immediately before the loss happened, not today. I appreciate Mr W had kept this vehicle in

good condition, with a full-service history. And I understand what he's said about not being in a position to bargain or haggle anymore and he's provided links and images of similar vehicles with higher prices. But one of the trade guides gives us a list of closest match vehicles for sale or recently sold around the date of his accident. These range in various different mileage variables and sales sources, whether private, dealership or independent. And from what I can see similar vehicles with 50k to 80k miles were priced from £11,700 to £13,500. And the offer made by Admiral is within this range. Yes, there are higher prices in this list too. But in the main these vehicles have lower mileage than Mr W's vehicle.

Mr W has also raised the deduction of excess to the total loss settlement he's been offered. Nearly all insurance policies have an 'excess'. The excess is the first part of a claim that the consumer has to pay. The policy says "*excess is the amount you must pay towards any claim. Your excess details are shown on your Policy Schedule*". The policy has £500 listed under the excess heading, so I'm satisfied this deduction is correct.

It's not up to this service to place an exact valuation on Mr W's vehicle. It's our role to make sure Admiral is giving Mr W a fair price using a fair and recognised approach. I appreciate the arguments Mr W has made. But the policy is in place to pay a market value as defined in the policy. And Admiral has shown in its file that it used the trade guides to come to its valuation. Based on the information provided about Mr W's vehicle and using these trade guides alongside the evidence Mr W has submitted, I'm satisfied that the market value that Admiral has placed on Mr W's vehicle is fair and reasonable based on our established approach. Because of this I don't uphold this complaint.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 12 May 2022.

Derek Dunne
Ombudsman