

The complaint

Mr R complains that Admiral Insurance Company Limited (Admiral) hasn't paid a fair settlement for his claim following damage to his car.

What happened

Mr R's car suffered collision damage when it slipped on ice and into a hedge in January 2021. Mr R is unhappy that the settlement paid by Admiral is less than what he feels is the true market value of his car. He feels the amount paid - £10,000 (less the policy excess and outstanding premiums) hasn't adequately taken into account the mileage or condition of his car.

Admiral has explained that its settlement of Mr R's claim was based on a report completed by an independent engineer. This was because the two motor trade guides it typically uses to value cars weren't able to provide a valuation for Mr R's car, owing to its age.

One of our investigators looked into Mr R's complaint. He didn't think Admiral had paid a reasonable settlement for Mr R's car. He said the engineer's valuation appeared to be based on adverts for cars with significantly higher mileage than Mr R's. He also checked the value of Mr R's car on a third industry motor trade guide, which was able to return a valuation, and checked adverts from a classic car sales company. Based on this, our investigator concluded that a fair valuation for Mr R's car would be £14,107.

Admiral didn't accept our investigator's opinion. So, because no agreement has been reached, the complaint has been passed to me to decide.

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.

Mr R's policy document explains how Admiral can settle a claim:

"We will decide how to settle your claim and will either pay:

- to repair your vehicle*
- a cash sum to replace the damaged vehicle.*

If we give you a cash sum, the most we will pay is the market value of the vehicle."

In this case Admiral elected to pay a cash settlement for the market value of Mr R's car.

Market value is defined in the policy 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 service's typical approach when considering complaints about fair market value takes into account what three of the market leading motor trade guides say the market value is. These guides are Glass's, CAP and Cazoo. These guides are used across the motor industry when valuing second-hand cars. We find these guides to be particularly persuasive, largely because their valuations are based on nationwide research and likely sales figures. The guides also take into account regional variations. We're confident these guides give a good reflection of the true market value of a car.

In this case Admiral says it attempted to use Glass's and CAP to value Mr R's car, but due to its age they were unable to obtain a valuation. This is why it instructed an independent engineer to provide a valuation instead.

Our investigator ran his own valuation using the Cazoo trade guide, which returned a valuation of £14,107. But Admiral has raised several issues with this valuation, including that the condition of the car was set to good, when the engineer stated the condition was only average. Admiral also argues that the engineer actually inspected the specific car, and reviewed cars for sale at the time of the incident. So, it says the engineer's findings are more reliable than the Cazoo historic valuation or the sales adverts our investigator obtained, which were more recent than the time of the incident.

I've thought carefully about everything Admiral has said here. I accept that its engineer physically inspected Mr R's car. But having read the report, it seems to me that the primary evidence the engineer relied on when reaching his valuation was the sales adverts from the time, albeit overlaid with a consideration of the condition of the car, which he said was average. I say this because the report included screen shots of online sales adverts from the time and stated:

"I place the pre-accident value of this particular vehicle at £10,000 based on research from the internet bearing in mind the condition described herein."

I fully accept Admiral's argument that the more recent sales adverts obtained by our investigator are less relevant than the adverts obtained by the engineer closer to the date of the incident. But I also agree with our investigator that the sales adverts relied on by the engineer are for cars with significantly higher mileage than Mr R's which would likely have a significant impact on the valuation. I also note that both sets of sales adverts (the engineer's and our investigator's) appear to show a broad range of prices.

In any case, I should point out that our service typically finds the motor trade guides to be more persuasive than sales adverts, because adverts are often the starting point of a negotiation and are what the seller would like to achieve.

I've also considered Admiral's concern about the condition of the car stated when our investigator produced the Cazoo valuation. But having run the valuation myself, using both 'good' and 'poor' for the condition, I can confirm that this has no impact on the valuation figure returned.

In this particular case, I've given due consideration to all of the various evidence and arguments provided. And having done so, I don't find the valuation provided by the engineer to be more persuasive than the trade guide. I say this for the reasons explained above, namely because the valuation appears to have been based largely on sales adverts from the time, which I find less persuasive than the motor trade guides. Particularly as the mileage on these adverts was significantly higher than that of Mr R's car.

Based on everything I've seen, I think the Cazoo trade guide valuation represents a fair and reasonable valuation for the market value of Mr R's car. So, it follows that I'll be asking Admiral to increase the value placed on Mr R's car.

My final decision

For the reasons I've explained, I uphold Mr R's complaint.

Admiral Insurance Company Limited must:

- Pay Mr R the full valuation of £14,107, less any excess and charges applicable and any amount already paid.
- To the amount still due to Mr R, add 8% simple interest* from the date of its initial settlement payment to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 15 June 2022.

**If Admiral Insurance Company Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr R how much it's taken off. It should also give Mr R a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.*

Adam Golding
Ombudsman