

The complaint

Mrs C and Mr C complain about the settlement Admiral Insurance (Gibraltar) Limited offered for the loss of their car following a claim made on their motor insurance policy. Mr C is a named driver on Mrs C's policy.

What happened

Mrs C and Mr C's car was involved in a collision and declared a total loss by Admiral. It initially offered Mrs C £4,226, less the policy excess, in settlement of her claim. Following our involvement, Admiral offered to increase its offer to £4,822.50, with interest, and agreed to pay Mrs C £50 compensation. But Mrs C said she couldn't replace her car for this amount.

Our Investigator recommended that the complaint should be upheld. He thought Admiral had made deductions from the settlement offer for previously failed MOTs and because the car wasn't bought from an approved dealer. But he thought the deductions for the failed MOTs was unfair as these had been rectified by repairs. He thought Admiral should pay Mrs C the highest valuation provided by the trade guides we use, £5,170, with interest, and to increase its offer of compensation to £100.

Admiral replied that £4,822.50 was the average of the two valuations it had found and was made in keeping with our approach. It said it hadn't made any deductions for MOT failures. It agreed to increase the compensation to £100 as a gesture of goodwill.

Our Investigator agreed that this was fair and reasonable. But Mrs C replied that she couldn't find a replacement car for this amount and wanted a further increase in the settlement offer.

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 can understand that Mrs C and Mr C want a fair settlement for the loss of their car. Mr C said they couldn't find a replacement car for Admiral's offer. But I can see that Mrs C's policy provides for the car's market value at the date of its loss in the case of total loss, not a like for like replacement.

The Investigator has explained this service's approach to car valuations. We don't provide valuations for cars but look to whether the insurer's offer is reasonable. In assessing whether a reasonable offer has been made, we obtain valuations from motor-trade guides. These are used for valuing second-hand vehicles. 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 also take all other available evidence into account, for example, engineer's reports.

Mr C said they had seen similar cars advertised for higher prices. But we don't find advertisements particularly persuasive as these are essentially asking prices and aren't selling prices. It's for this reason that the trade guides are used as they provide evidence of likely retail selling prices.

Mr C was concerned that the guides wouldn't take into account the current market for second-hand cars. But I can assure him that the guides are updated to reflect the likely sales figures at the dates of loss.

Our Investigator thought Admiral's final offer was fair and reasonable. So I've checked how he came to this conclusion. I can see that he checked the motor trade guides we use for cars of the same make, model, age, mileage and condition as Mrs C's car at the date of its loss. He found three valuations ranging between £4,350 and £5,170.

Our approach where there is an even spread of valuations is to look for the average of these. This was less than Admiral's final offer. No deductions were made for the previous MOT failures. So I can't say that Admiral's offer was unfair or unreasonable. And I don't require it to increase this. Mrs C has been without her money for some time, so I think Admiral should reasonably add interest to this settlement.

Admiral agreed to offer Mrs C £100 compensation as a gesture of goodwill. I think Mrs C was put to some trouble to get a fair offer for her car. And I think Admiral shouldn't have tried to make a deduction for the rectified MOT failures. So I think £100 compensation for Mrs C's trouble and upset is fair and reasonable as it's in keeping with our published guidance.

Putting things right

I require Admiral Insurance (Gibraltar) Limited to do the following, as it's already agreed to do:

1. Pay Mrs C £4,822.50 in settlement of her claim, adding interest to this amount at the rate of 8% simple from 13 December 2021 to the date of settlement†.
2. Pay Mrs C £100 compensation for the distress and inconvenience caused by its handling of her claim.

† HM Revenue & Customs requires Admiral to take off tax from this interest. Admiral must give Mrs C a certificate showing how much tax it's taken off if she asks for one.

My final decision

For the reasons given above, my final decision is that I uphold this complaint. I require Admiral Insurance (Gibraltar) Limited to carry out the redress set out above, as it's already agreed to do.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C and Mr C to accept or reject my decision before 1 August 2022.

Phillip Berechree
Ombudsman