

## **The complaint**

Mr O complains that Admiral Insurance Company Limited haven't paid him the market value for his car after he claimed on his car insurance policy.

## **What happened**

Mr O was involved in an accident which he didn't think he was at fault for. He reported the accident to Admiral but said he would claim directly off the third party's insurance rather than claiming on his own policy. Mr O had his car inspected by an engineer who said it was what is known as a "total loss". Mr O said he then repaired his car using second-hand parts as he needed it while he claimed from the third party.

Mr O wasn't successful claiming from the third party, so he contacted Admiral to claim on his policy. Admiral reviewed the claim and accepted it, however as Mr O had paid to repair his car and it had been MOT'd twice since, Admiral said it would pay in cash in lieu of repairs. Mr O didn't think this was fair and complained, he said he had a total loss marker on his car and that if he'd claimed on his policy originally Admiral would have paid him the market value. He also asked Admiral to cover his storage costs and the cost of getting a report to show the total loss marker on his car.

Admiral reviewed the complaint and didn't uphold it. It said as the car had been repaired, it would only pay cash in lieu of repairs, as per the policy terms and conditions. Admiral also said by paying the market value meant Mr O would be in a better position. However, Admiral agreed to cover the £20 Mr O paid for a report on his car but said it wouldn't cover the storage costs. Mr O disagreed and referred his complaint here.

Our investigator reviewed the complaint and recommended it be upheld. They found that Mr O's car had been deemed a total loss by an engineer so thought it likely Admiral would have done the same if he'd claimed on the policy. And in that situation Admiral would have paid Mr O the market value, minus the policy excess and the salvage value of his car. Therefore, our investigator recommended Admiral pay the market value for Mr O's car, minus the policy excess, salvage value for the car and anything Admiral had already paid in cash in lieu of repairs.

Our investigator didn't think it was fair for Admiral to cover the storage charges as it was Mr O's choice to put his car into storage and he hadn't told Admiral about that at the time. He found that Admiral had confirmed it would have paid to recover the car along with any "Covid charges" and had agreed to cover the £20 for the report which our investigator thought was fair and reasonable to add to the settlement.

Admiral didn't agree. They said they'd paid for cash in lieu of repairs and so had done what it needed to under the policy. Admiral said Mr O's car had since been MOT'd twice and so the car was clearly roadworthy. Admiral also said that if they paid the market value then it would have followed its total loss procedure and cancelled Mr O's policy and recorded a total loss marker on the car. Admiral also raised concerns about the repairs and said they would need to assess the car to see if it was fit to be on the road as they weren't convinced it had been repaired correctly.

As Admiral disagreed the complaint has come 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.

In the event of damage being caused to Mr O's car the terms and conditions say:

*"We will decide how to settle your claim and will either*

- *pay to repair your car, or*
- *pay a cash sum to replace the damaged car or item. **We** may reduce the settlement, or ask **you** to contribute towards the repair costs, if the parts replaced were already worn or damaged or for audio/visual equipment that has been removed from **your car***

*A decision will be made based on the garage/engineers recommendation"*

The engineer's report on Mr O's car lists the damage and estimate its repair cost to be around the market value of the car. In situations like this an insurer would typically deem the car not economical to repair and categorise it as a "total loss" and pay the market value.

In Mr O's case he's had the car repaired for less than the engineer estimated it would cost to repair and said this is because he's used second-hand parts. If Mr O had claimed on his policy at the time, I'm satisfied that, due to the cost of repairs compared to the value of the car, it's likely Admiral wouldn't have repaired Mr O's car and instead settled his claim by paying him the market value.

As I think it's likely this is what Admiral would have done if Mr O had claimed from them in the first instance, I think it's fair and reasonable that this is how it settles the claim. I've considered that Mr O did have his car repaired and the car has passed MOTs since those repairs. However, Mr O's car was repaired using second hand parts and also has a total loss marker on it which might impact the value of the vehicle.

I understand Admiral think this is betterment as Mr O has repaired his car and it has since had two MOT's. So, Admiral said it would appear to be roadworthy and repaired to a satisfactory standard. While Mr O has repaired his car cheaply, I'm unable to see how Admiral paying him what it would have done if he'd claimed on his policy at the time of the accident as betterment. This is because Admiral would only be doing what it would have done at the time.

I'm therefore satisfied that it would be fair and reasonable for Admiral to pay Mr O the market value for his car at the time of the accident. As Mr O kept the car, it would be fair and reasonable for Admiral to deduct what it would have received if it had sold the car to a salvage agent. Therefore, it's fair and reasonable for Admiral to deduct what it would have received for the salvage from the market value. As Mr O claimed on his policy Admiral can also deduct the policy excess along with the amount it has already paid for cash in lieu of repairs.

As Mr O didn't initially claim on his policy and didn't tell Admiral about the storage costs, I'm not persuaded it would be fair and reasonable for Admiral to cover those. However, Admiral

has said it would cover the recovery costs along with “Covid charges” and the £20 for the report on Mr O’s car. I’m satisfied it’s fair and reasonable for Admiral to pay these so these should also be added to the amount Admiral pays. Admiral should also add 8% simple interest per year to the additional amount it pays to compensate Mr O for not having the money. This should be calculated from the date Admiral paid cash in lieu of repairs as that is when Mr O should have been paid the full amount.

I’ve considered Admiral’s comments about Mr O’s car not being repaired correctly and would need to be assessed to see if it’s satisfied it’s safe to be back on the road. However, when Admiral was justifying that it was fair and reasonable to pay cash in lieu of repairs it pointed out Mr O’s car has since had two MOT’s and is therefore likely roadworthy. Admiral has argued Mr O’s car is roadworthy and then said it’s likely not, which clearly contradict each other. However, as Admiral has pointed out Mr O’s car has been MOT’d twice since the repairs, I agree it is likely roadworthy as that is the reason for an MOT. So, I’m not persuaded Admiral would need to re-assess Mr O’s car or that this is a reason for me to not to reach the outcome I have.

### **My final decision**

For the reasons explained above I uphold this complaint. I require Admiral Insurance Company Limited to:

- Pay Mr O the market value of his car at the time of the accident, minus the salvage amount it would have received for it, the policy excess and what has already been paid for cash in lieu of repairs
- Pay the recovery charges and Covid charges
- Pay £20 for the report on Mr O’s car

Interest of 8% simple per year needs to be added to the additional amount Admiral Insurance Company Limited pays, calculated from the date the cash in lieu of repairs payment was made until the date it makes payment.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr O to accept or reject my decision before 14 October 2022.

Alex Newman  
**Ombudsman**