

The complaint

Mrs K complains about the settlement offer from Admiral Insurance Company Limited (“Admiral”) following a claim on her motor insurance policy.

What happened

Mrs K had a motor insurance policy with Admiral which renewed in January 2022. Unfortunately, her car was stolen from outside her house in May 2022 – so she put in a claim. Admiral initially sent a letter with a settlement offer for £29,550.00, based on its assessment of the market value of the vehicle at the time of the theft. The following day, having noticed a driving conviction that hadn’t been declared at renewal, Admiral revised its offer to £21,172.40.

Mrs K raised a complaint about the settlement amount, and said she hadn’t realised she needed to tell Admiral about the recent speeding fine and points. Admiral responded to say that had the driving offence being disclosed at renewal it would have charged a higher premium. Admiral also explained that, in this scenario, the relevant law advised it to apply the remedy of a proportional settlement to all claim losses – which is what it had done in the revised offer.

Unhappy with the response, Mrs K referred the complaint to our service for review. An investigator here considered everything and didn’t think the offer was fair. He agreed Admiral were entitled to settle proportionately, due to the non-disclosure. He also thought the insurer had made it sufficiently clear at renewal that any new driving offences would need to be declared. But the investigator didn’t think Admiral hadn’t fairly calculated the market value for the vehicle. He commented that the terms stated the trade guides would be used to determine market value – and Admiral’s valuation was below the amount given by three of them. The investigator recommended the insurer used an average of the three guides (£31,372.00) as the starting point before applying the proportionate settlement calculation and excess. Then any difference should be paid along with 8% yearly simple interest added.

Admiral didn’t accept our service had the jurisdiction to comment on the car’s valuation in this complaint. The insurer said our service could only comment on the specific complaint points raised by Mrs K – and if she was unhappy with the valuation amount then she’d need to raise that separately. The investigator explained he was able to consider the valuation when looking at the fairness of the settlement amount overall as part of his inquisitorial remit.

As no agreement could be reached, the complaint was passed to me for a final decision on the matter.

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 upholding the complaint – and for the same reasons given by the investigator. I’ll explain why.

The relevant law in this case is 'The Consumer Insurance (Disclosure and Representations) Act 2012' (CIDR). That sets out the legal remedies available to insurers when dealing with instances of misrepresentation. Mrs K didn't tell Admiral about a recent motoring offence when she renewed in January 2022 – so she, inadvertently, didn't give the insurer all the information it needed to accurately calculate the risk associated with her policy. I appreciate she didn't realise she needed to update Admiral, and assumed any new convictions would automatically update on the policy. But I've had a look at what Admiral sent Mrs K on renewal, via her online portal (as per the preferences selected when the policy was initial set up). I consider it was clear from those documents that any new driving offences would need to be declared.

Admiral has treated Mrs K's non-disclosure as 'careless' rather than deliberate or reckless. I agree that it seems Mrs K didn't intend to misrepresent the risk. I also appreciate that Mrs K feels the significant reduction in settlement amount is a harsh penalty for the mistake – but Admiral has applied the remedy that's set out in law for this scenario. The percentage reduction was also based on the amount by which the premium would have increased, had full disclosure been made. So I find the insurer has acted fairly in the circumstances by proportionately settling the claim.

I'm surprised by Admiral's comments regarding our ability to comment on the valuation of the vehicle in this case. This complaint is about the settlement amount offered to Mrs K – and whether she specified she was unhappy with the valuation or not, the starting point for the settlement figure was the valuation. So, in order to decide whether the settlement offer is reasonable or not, I can review all of the calculations made in reaching it. A consumer won't always know the different processes or calculations that sit behind an offer, so it wouldn't be fair to limit our review to only the aspects a consumer is aware of or thought to mention. Our inquisitorial remit allows us to comment on anything we see during the course of our investigation that we don't think is fair or reasonable in the circumstances. For instance, if I thought the offer was fair but the service given in reaching it had been poor, then I might direct the insurer to pay compensation – even if the consumer hadn't complained about the service. Here it's enough that Mrs K has complained about the settlement amount – and as part of looking at that, I've decided the valuation Admiral reached for the car wasn't reasonable.

Where there is a dispute about the valuation of a vehicle, the role of our service isn't to determine its exact value. Instead I need to decide whether the insurer reached its offer by fair and reasonable means. That includes looking at whether it was calculated in line with the terms and conditions of the policy. Mrs K's policy said in this scenario Admiral would pay the 'market value' of the vehicle immediately prior to the loss. The terms also said the insurer would use the industry recognised motor trade guides to calculate it. We find those guides persuasive too – as they're based on nationwide research of likely selling prices.

The three main trade guides applicable here gave valuations of £30,250.00, £31,500.00, and £32,365.00 for the date of loss. The valuation Admiral placed on the car was below the amount given in all of the trade guides I consulted, and I haven't seen any indication in the claim file that any deductions were warranted (for example, due to the condition of the vehicle). So I find the vehicle's value wasn't reached in line with the terms – and therefore wasn't reasonable in the circumstances. I consider the fairest way to calculate the value now would be to take an average of the figures given by the trade guides – which is £31,372.00.

Putting things right

Admiral should now use the above valuation figure, then apply the proportionate settlement calculation and deduct the excess from that. It should then calculate difference between that

figure and the settlement amount already paid to Mrs K. Admiral should add to the difference eight percent yearly simple interest, calculated from the date of the interim payment up until the remaining settlement amount is paid.

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

My final decision

My final decision is I uphold Mrs K's complaint about Admiral Insurance Company Limited, and direct the insurer to settle the complaint in line with what I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 28 October 2022.

Ryan Miles
Ombudsman