

## **The complaint**

Mr E is unhappy with the way Admiral Insurance Company Limited (Admiral) settled a claim under his motor insurance policy.

## **What happened**

In August 2021 Mr E's vehicle was stolen, so he made a claim. Admiral then said the vehicle was a total loss and offered Mr E a cash settlement to reflect its market value. They calculated this amount by considering the values suggested by two motor trade guides. They also applied a 20% deduction to reflect the fact Mr E's vehicle was previously declared a category N write off. However, as a gesture of goodwill they later agreed to lower this deduction to 10%. The £350 policy excess was also deducted from the settlement figure.

After Mr E referred the complaint to our service Admiral increased their settlement offer slightly. They said they would like to pay Mr E an extra £49.05 with 8% simple interest as their previous offer wasn't based on the correct average figure suggested by the motor trade guides. To reflect the distress and inconvenience this oversight had caused Mr E they also offered him £100 compensation.

Mr E said he was happy with Admiral's revised offer and the decision to base the valuation on the average of the two motor trade guides. However, he couldn't accept the fact they'd applied a 10% reduction. He didn't think they should apply a deduction at all.

Our investigator thought Admiral's revised settlement offer was fair. So, I've now considered the complaint afresh.

Mr E has raised a concern that his policy was mis-sold. However, as that complaint is being considered separately, I haven't addressed it here.

## **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 satisfied Admiral have now offered Mr E a fair and reasonable settlement for his claim. I'll now explain why.

The starting point for complaints of this nature is the policy terms and conditions. In relation to cash settlements, the terms say the most Admiral will pay is the market value of the vehicle. 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."*

Mr E has accepted it was reasonable for Admiral to base the settlement offer on the average value suggested by two motor trade guides totalling £23,858.50. As this point isn't in dispute,

I've no reason to comment on it any further, other than to say I'm also satisfied this amount is fair having also checked a third guide.

Mr E has said Admiral shouldn't apply a 10% reduction to the above amount as the policy terms don't allow for this. I respectfully disagree. The above policy term explains that Admiral will take the condition of Mr E's vehicle into consideration when establishing a fair market value. As Mr E's vehicle was a category N write off, this suggests it would have been less desirable to potential buyers and this in turn would have reasonably impacted the price. So, I don't think Admiral would have been able to offer Mr E a fair value for his vehicle, unless they took this important factor about its condition into consideration.

Admiral have reduced the 20% deduction to 10%. I'm satisfied this percentage deduction is reasonable and £21,472.65 is therefore a fair market value for Mr E's vehicle. As Mr E has already received £21,073.60, this means Admiral should pay him the difference excluding the excess.

### **Putting things right**

I uphold this complaint and require Admiral Insurance Company Limited to settle the claim in the way they've now offered. They should therefore pay Mr E:

- £49.05 with 8% simple interest from 2 December 2021 to the date of settlement.\*
- £100 compensation to reflect the distress and inconvenience caused.

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

### **My final decision**

I uphold this complaint and direct Admiral Insurance Company Limited to carry out the redress set out above, as they've already agreed to do.

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

Claire Greene  
**Ombudsman**