

## **The complaint**

Mrs L and Mr P complain about the settlement offered by Admiral Insurance Company Limited after a claim on their motor insurance policy. Mr P is a named driver on Mrs L's policy.

## **What happened**

Mrs L's car was stolen and not recovered. Mrs L was entitled to a like for like replacement car under her policy's terms and conditions. But the car model had been discontinued. So Admiral said that, in keeping with the policy's terms and conditions, it would pay her the car's market value at the time of its loss. After Mrs L complained, Admiral increased its settlement offer. But Mrs L remained unhappy.

Our Investigator recommended that the complaint should be upheld. She thought Mrs L was entitled to a new vehicle replacement under the policy. But she didn't think it was fair or reasonable for Mrs L to receive the pre-loss market value of the car because a like for like replacement wasn't available. So she thought Admiral should have paid Mrs L the price she paid for the car. And she thought it should increase its settlement to this amount, adding interest on the difference. And, because of the trouble and upset caused, she thought Admiral should pay Mrs L £500 compensation.

Admiral replied that it had paid Mrs L the car's market value in keeping with the policy's terms and conditions. Admiral referred to a similar case where its decision had been upheld by an Ombudsman.

## **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.

Admiral's final offer to Mrs L in settlement of her claim was £25,485. It said this was the car's pre-loss market value. Our approach in cases like this is to consider whether the insurer's acted in line with the terms and conditions of the policy and fairly and reasonably.

Admiral referred to another case that has come to our service. But we consider each case on its individual merits. And, whilst there are similarities between the two cases, they aren't identical.

Mrs L's car was less than 12 months old, so I can see that she was entitled to a new vehicle replacement, with the same model and specification, under her policy's terms and conditions. The car's make was no longer in production. So Admiral relied on a policy term to pay Mrs L the car's market value.

Our approach is that if a like for like replacement is no longer available, we're unlikely to agree if an insurer pays the consumer less than what it would have paid to replace the vehicle with a new one had it been available. Sometimes an insurer may offer the next model up in the range and we are likely to consider this to be fair.

But we usually decide that it's fair for an insurer to pay the original new price of the vehicle that was written-off if it's the only way that a policyholder can buy the nearest equivalent new replacement.

So, in keeping with our approach, I don't think Admiral has treated Mrs L fairly or reasonably. I'm satisfied that it should pay Mrs L the price she paid for her car, £29,460, less her policy excess, in settlement of her claim. Admiral paid Mrs L £25,485, less the policy excess of £350. So Mrs L received £25,135 when she should have received £29,110. So I think Admiral should now pay her an additional £3,975 to restore her position.

And as Mrs L has been without her money for some time, I think Admiral should add interest to this increase from the date of the initial payment to the date of the final settlement.

Admiral's handling of the claim has caused Mrs L and Mr P considerable trouble and upset:

- They have had to repeatedly contact Admiral to try and get their losses made good and this caused avoidable stress at a difficult time.
- They couldn't buy a similar replacement car with Admiral's initial settlement.

Our Investigator recommended that Admiral should pay Mrs L £500 compensation for this trouble and upset. I think that's fair and reasonable in the circumstances as it's in keeping with our published guidance for this level of impact.

### **Putting things right**

I require Admiral Insurance Company Limited to do the following:

1. Pay Mrs L the difference between £25,135 and £29,110, which is £3,975, adding interest to this amount at the rate of 8% simple per annum from the date of the original settlement up to the date of payment. †
2. Pay Mrs L £500 compensation for the distress and inconvenience caused.

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

### **My final decision**

For the reasons given above, my final decision is that I uphold this complaint. I require Admiral Insurance Company Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L and Mr P to accept or reject my decision before 26 December 2022.

Phillip Berechree  
**Ombudsman**