DRN-3872036

The complaint

Ms A complains about the settlement payment offered by Admiral Insurance (Gibraltar) Limited (Admiral) following the theft of her car, under her motor insurance policy.

What happened

In December 2021 Ms A's car was stolen. She reported the theft to the police and to Admiral. The car wasn't recovered and so Admiral offered a settlement payment for £4,596. Ms A didn't think this was a true reflection of the value of the car. She also says the vintage stereo hadn't been considered. So, she raised a complaint with the business.

Admiral says its engineer assessed the market value of the car to be £5,745. It adjusted this valuation by 20% to reflect that the car had been a previous insurance write-off. There was an error, which meant this reduction was applied twice. But Admiral has since refunded the £919.20 it had deducted in error, plus 8% simple interest.

Ms A obtained a valuation from an independent engineer. He placed the market value at £8,500 and didn't agree a deduction should be made for the previous write-off. Admiral didn't agree to increase its offer, so Ms A referred her complaint to our service.

Our investigator didn't uphold her complaint. He thought Admiral had taken a fair approach to valuing Ms A's car. He agreed it was reasonable for it to apply a deduction for the previous write-off. He didn't think the advertised for sale prices provided by Ms A demonstrated that Admiral's market valuation was unfair.

Ms A didn't agree with this outcome and asked for an ombudsman to review her complaint. It has been passed to me to decide.

I issued a provisional decision in October 2022 explaining that I was intending to uphold Ms A's complaint. Here's what I said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I understand Ms A wants to get the best price she can for her car and that she's disappointed with the valuation Admiral arrived at. I've looked at her policy terms to understand what is expected in these circumstances. I note Ms A's comments that she paid more for her car than Admiral is offering. But her policy provides the market value in the case of a total loss, such as in this case when the car was stolen and not recovered.

The policy terms say:

"Cover for your vehicle If your vehicle is lost or damaged as a result of fire, lightning, theft or attempted theft, you will be covered for loss of or damage to:
- your vehicle
- your vehicle's audio, visual or electronic equipment, as long as it is permanently fitted to your vehicle. Equipment fitted by the manufacturer is covered in full. Aftermarket equipment

is covered up to £1,250 or the market value of your vehicle, whichever is lower."

And:

"What we will pay We will decide how to settle your claim and will either pay:
- to repair your vehicle
- a cash sum to replace the damaged vehicle."

Under the definitions section of the policy terms it says:

"Market value 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."

We don't provide a valuation when considering these disputes but look to see whether the insurer's offer is reasonable. To understand whether a reasonable offer has been made, we usually obtain valuations from the motor trade guides. These guides are used by the industry for valuing second-hand vehicles. Unfortunately, as Ms A's car is over 30 years old, its not possible to obtain values from the usual guides.

I can see that Admiral obtained a valuation from an engineer who valued the car at £5,745. I can see he used the correct make and model and a mileage figure of 90,319 miles. I've also read the valuation report Ms A obtained. The engineer calculated the mileage circa 90,000 miles. He refers to a classic car valuation guide that places similar vehicles at £8,000. Although he suggests this is low as the market value has increased. I note the car referenced by the engineer, from the classic car guide, has a larger engine than Ms A's car.

In his report the engineer included details of the classification, used by the classic car guide for this type of vehicle. For a car worth £8,000 it says:

"#1 vehicles that are the best in the world. The visual image is of the best car, unmodified in the right colours driving onto the lawn at the finest concours."

Ms A's engineer supplied a number advertisements for similar cars. This includes a car which is the same model and year, for £6,250 – no mileage shown. One at £9,990 with slightly higher mileage but a year younger. Two older models with much lower mileage for £11,995 and £12,995 respectively. A 1992 model which is a higher specification advertised at £13,285. A 1991 model with much lower mileage for sale at £10,500 and another 1990 model, with no mileage specified, advertised at £10,578.

Based on the advertised for sale prices Ms A's engineer arrived at an average valuation of £8,500.

I acknowledge Ms A's comments that the adverts her engineer provided and those she has provided herself, include similar cars for sale at a higher price than Admiral offered. I understand she wants the best offer she can get for her car. But we don't generally rely on advertised for sale prices. This is because they show what the seller hopes to get for the car not what it actually sold for.

I've looked online myself. The closest models I found were two similar 1990 cars each with around 90,000 miles, for sale at £4,995 and £5,995. From the information I've seen The for-sale prices vary quite a lot.

In the circumstances, as the usual trade guides couldn't be used, I think the approach

Admiral took, to instruct an engineer to provide a valuation, was reasonable. But I must also consider the valuation Ms A obtained from her engineer. Valuing cars, particularly older cars, isn't an exact science. Where there are differing expert views of what the market value of the car is, I think it's reasonable that Admiral should pay the middle value between the two valuations.

I accept Ms A's reference to information on our website that says we may consider advertisements in situations where a car is difficult to value, or it's indicated the trade guides could be wrong. I have given thought to the advertised prices. However, I think it's fairer to use the average of the two expert valuations, given the advertised prices vary significantly and include varying models with different mileages.

We put this proposal to Ms A and to Admiral informally. Ms A disagreed based on the advertised prices she has seen. She also comments that it isn't fair to apply a reduction in value because her car had been written-off previously. I've considered her further comments around this point.

The fact that a vehicle has been written-off can put off potential buyers no matter how well the car was repaired. Ms A's car is showing as having been written-off, which I understand has occurred twice in its lifetime. This information is recorded against the car's history and can be checked.

I note Ms A says she wasn't aware of the car having been written-off. She says she wasn't told about it by the seller or by Admiral. I can't comment on what the seller told her, but this isn't something Admiral is responsible for. I'm sorry Ms A wasn't aware the car had previously been written-off. But our service considers it reasonable for an insurer to make a reduction in its settlement offer to reflect the impact a vehicle being written-off has on its market value.

I acknowledge Ms A's reference to the information on our services website. Specifically, her comments that if a customer was unaware of the vehicle's history, we're likely to tell the insurer to pay the full market value. I'd agree with Ms A if I'd seen evidence that she had carried out a check on the car's history before buying it. But I haven't seen that she did this. So, I don't think it's unreasonable for Admiral to apply a reduction of 20% in these circumstances.

I note Ms A's comments that Admiral didn't compensate her for the loss of the vintage stereo. From what I understand this is the original radio/stereo that came with the car. I don't think this is something that should've been considered separately from the market valuation of the vehicle.

Having considered all of this I don't think Admiral offered Ms A a fair settlement payment. It should now pay her £5,698 in total. This is the difference between the two valuations, minus the deduction for the write-off and the policy excess. It should also pay interest on the outstanding balance from the date the settlement was offered until it's paid in full.

Admiral responded to say it accepted my provisional decision.

Ms A responded to say she paid £350 for an independent valuation and that this should be refunded by Admiral. She also refers to the policy definition of 'market value'. She says the wording refers to "similar" not "the same". She thinks this means the advertised examples should be considered relevant regardless of being younger or having a larger engine.

Ms A also comments that it has been some time since she made her claim and queries whether this has been considered.

Ms A says she wasn't aware the car had previously been written-off, as no adverse history was indicated at the point of sale.

I issue a second provisional decision in November 2022. Here's what I said:

Second provisional decision

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've thought about Ms A's request that the cost of the valuation she commissioned should be refunded. She's provided an invoice that shows £350 was paid for this information. In my provisional decision I said I didn't think Admiral had offered a fair settlement payment. Ms A had to obtain a valuation in order to demonstrate this point. In these circumstances I think it's fair that Admiral refunds this cost to Ms A.

I've considered Ms A's comments about the evidence provided in support of her valuer's conclusion. But I'm satisfied a fair outcome is for Admiral to pay the middle value between the two valuations provided.

I accept it has been some time since making her claim. This is why I said Admiral should provide interest on the outstanding settlement payment. But I don't think a further payment has been shown to be warranted.

Ms A comments about the discount applied for her car having previously been written off. In my provisional decision I said there was no evidence that Ms A had carried out a check on the car's history. This remains the case having considered her further comments and the documents she provided. I acknowledge she read the for-sale advert and emailed the seller. But I can't see that she obtained a report to ascertain the history of the car, including whether or not it had been written-off.

I said I was intending to uphold the complaint and that Admiral should:

- pay Ms A £5,698 as a total settlement payment. In addition to 8% simple interest on any outstanding payment from when the original settlement was offered until it's paid in full.
  *If Admiral considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Ms A how much it's taken off. It should also give Ms A a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate; and

- pay Ms A £350 to refund the cost of the valuation report she obtained.

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

Admiral responded to say it needed to see proof of payment to refund the valuation report fee.

Ms A provided a detailed response explaining why she doesn't think it's fair that Admiral should apply a 20% discount to the valuation. In brief she says she relied on government guidance, available online, when buying her car. She says she checked the MOT history of the car and also asked a specialist garage to look at the car's history. Ms A says no issues were raised and the car was thought to be in very good condition. She also says the car's logbook didn't give any indication the car had been written off.

Ms A says she has suffered a significant loss as a result of the theft of her car, which has also caused her stress. She maintains she was unaware of the car's accident history at the time of purchase and asks that Admiral should pay the full market value.

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 response to Admiral's comments, I think it's reasonable that it should be provided with proof of payment of the valuation report fee, prior to arranging reimbursement.

I've thought about Ms A's comments about what she did prior to purchasing her car.

I acknowledge that she relied on the guidance provided on the government website she accessed online, and her reference to the car's logbook. However, it's still the case that when a car has been categorised as a total loss, this will impact negatively on its market value. Ms A says she approached a specialist garage and viewed documents via an online call with the seller. But I can't see that she carried out a check to confirm whether the car had been written off.

Ms A's policy pays the market value of her car in the event of its total loss or theft. As discussed here, and in my provisional decision, It's reasonable to consider a car's market value is impacted by its previous categorisation as a total loss. In these circumstances our service thinks it's reasonable for an insurer to apply a discount to the valuation. So, I think the 20% discount applied by Admiral in this case is fair.

I'm sorry that Ms A's car was stolen. But I don't think Admiral acted unfairly by applying a discount to the market value, because of the car's history. Because of this I'm not persuaded that I should change my decision.

My final decision

For the reasons I've explained above, and in my provisional decisions, I uphold Ms A's complaint. Admiral Insurance (Gibraltar) Limited should:

- pay Ms A £5,698 as a total settlement payment. In addition to 8% simple interest on any outstanding payment from when the original settlement was offered until it's paid in full.
  *If Admiral considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Ms A how much it's taken off. It should also give Ms A a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate; and

- pay Ms A £350 to refund the cost of the valuation report she obtained.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 19 January 2023.

Mike Waldron
Ombudsman