

## The complaint

Miss T complains that Admiral Insurance (Gibraltar) Limited mishandled her claim on a motor insurance policy.

Where I refer to Admiral, I refer to the above-named insurance company and I include employees and others insofar as I hold Admiral responsible for their acts or omissions.

## What happened

The subject matter of the claim and the complaint is a car, first registered in 2013. For the year from September 2021, Miss T had the car insured on a comprehensive policy with Admiral. Any claim for damage to the car (except a windscreen) was subject to an excess of £200.00.

Unfortunately, on 15 February 2022 the car was damaged in an accident. Miss T had a conversation with Admiral. It said her car was a total loss. She said she wanted to keep the damaged car and asked if that would affect the settlement of her claim. Admiral didn't mention a salvage fee.

Miss T got her car back and had it repaired, at a cost to her of £1,165.59. The car passed an MOT test and on 19 February 2022, Miss T told Admiral about that.

On 23 February 2022, Miss T called Admiral. It told her the policy had been cancelled from 21 February 2022 – but it reinstated the policy on 23 February 2022.

Miss T complained to Admiral that it had left her driving uninsured for two days.

Admiral paid Miss T as follows:

pre-accident value of the car	£6,800.00
less salvage fee	£2,244.00
less excess	£ 200.00
paid to Miss T	£4,356.00

Miss T complained to Admiral that it hadn't told her about the salvage fee.

By a final response dated late March 2022, Admiral upheld the complaint and apologised. Admiral said it should have advised on 15 February 2022 that the salvage fee would be deducted. Admiral said the policy was cancelled on 21 February 2022 due to human error. Admiral assured Miss T that it would've provided cover if an incident had arisen. Admiral said it was sending Miss T a cheque for £250.00 as compensation.

Unhappy with that, Miss T brought her complaint to us without delay. Miss T told us that if Admiral had told her of the salvage fee, she wouldn't have kept the vehicle. She says that she had to pay to repair the vehicle as well as the £2,244.00 salvage fee.

*our investigator's opinion*

Our investigator recommended that the complaint should be upheld in part. She thought that Miss T was provided with incorrect information and made her decision to keep the vehicle based on this. The investigator recommended that Admiral contribute 50% towards the costs of the repairs to the vehicle which is £583.00 (in addition to £250.00 which was fair for distress and inconvenience.)

### *my provisional decision*

After considering all the evidence, I issued a provisional decision on this complaint to Miss T and to Admiral on 20 December 2022. I summarise my findings:

I didn't find it fair that Admiral made a deduction as high as £2,244.00 without warning Miss T or getting her agreement that she wanted to keep the car at that cost.

I considered that a more usual level of salvage deduction would've been 15% of the pre- accident value.

I was minded to find it fair and reasonable to direct Admiral not to charge a salvage fee of any more than 15% of the pre-accident value – that is £1,020.00. And I was minded to direct Admiral to pay Miss T the difference between that figure and its figure of £2,244.00, that is a difference of £1,224.00.

As she will have been out of pocket for some time, I was minded to find it fair and reasonable to direct Admiral to pay Miss T interest at our usual rate.

Subject to any further information from Miss T or from Admiral, I intended to direct Admiral to pay Miss T (in addition to its payment of £250.00):

1. £1,224.00 in part refund of its salvage deduction; and
2. simple interest on £1,224.00 at the yearly rate of 8% from the date of her claim to the date of Admiral's refund. If Admiral considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Miss T how much it's taken off. It should also give her a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Miss T accepted the provisional decision.

Admiral hasn't responded to the provisional decision.

So I see no reason to change my view.

### **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.

Most motor policies contain a term that if the insurer decides that a claim results in a total loss of the vehicle, then the insurer will pay the pre-accident value of the vehicle and the damaged vehicle will become the property of the insurer.

It follows that a policyholder who wishes to pursue a claim and keep the damaged vehicle must make a salvage payment or agree a salvage deduction. I would expect the insurer to tell the policyholder its proposed salvage figure, so that the policyholder can decide whether - in effect - to buy the vehicle back from the insurer at that cost.

Admiral's policy terms included the following:

*"Defending or settling a claim*

*We are entitled to.*

- conduct the investigation, defence and settlement of any claim on your behalf*
- inspect your vehicle at any reasonable time we ask*
- stop cover immediately and cancel your policy if your vehicle is deemed a total loss or is stolen and unrecovered*
- once the claim is settled your vehicle will become our property."*

So Admiral's policy terms contained a term that the vehicle would become its property. I didn't find that term easily or under a heading where I would expect to find it. Nevertheless it's not an unusual term and I don't find it unfair.

I accept that Admiral wouldn't have declined any claim on the grounds of its mistaken cancellation for two days in February 2022. Nevertheless, I don't doubt that Miss T was upset by the thought of what might've happened. Also, I accept that she was worried that Admiral might make a similar mistake again. So she kept checking online to see that the policy hadn't been cancelled.

Admiral's salvage fee of £2,244.00 was 33% of its pre-accident valuation of £6,800.00. I consider that to be a high proportion of the pre-accident value. But I accept that Admiral had a (confidential) commercial arrangement under which another company would've paid £2,244.00. So I don't find that amount unfair in itself.

Miss T had said that she wanted to keep the car. However, from a call recording, I find that Admiral gave Miss T incorrect and inadequate information about keeping the car. Believing that there was no salvage deduction, she was willing to pay for repairs, even though the car would carry the stigma of having been written off and repaired.

I accept that – if Admiral had told her that it proposed a salvage deduction of £2,244.00, then she wouldn't have kept the car and paid for repairs. I find that Miss T was upset when she found out that she had paid for repairs and had suffered a salvage deduction of £2,244.00.

### **Putting things right**

Admiral tried to put things right by sending Miss T a cheque for £250.00. I consider that this was fair for the extra distress and inconvenience it had caused her at an already difficult time.

However, I don't consider that £250.00 went far enough towards putting right the fact that Admiral hadn't told Miss T about a salvage deduction or its amount of £2,244.00 – and she had acted to her detriment by keeping the car and paying for repair.

I've thought about how Admiral should try to put things right for Miss T. I don't find it fair to direct Admiral to contribute towards the cost of repairs, as Miss T had wanted to keep the car. I don't find it fair to direct Admiral not to make any salvage deduction, as the damaged car would've become its property.

However, I don't find it fair that Admiral made a deduction as high as £2,244.00 without warning Miss T or getting her agreement that she wanted to keep the car at that cost. I consider that a more usual level of salvage deduction would've been 15% of the pre-accident value.

So I find it fair and reasonable to direct Admiral not to charge a salvage fee of any more than 15% of the pre-accident value – that is £1,020.00. And I will direct Admiral to pay Miss T the difference between that figure and its figure of £2,244.00, that is a difference of £1,224.00.

As she will have been out of pocket for some time, I find it fair and reasonable to direct Admiral to pay Miss T interest at our usual rate.

### **My final decision**

For the reasons I've explained, my final decision is that I uphold this complaint in part. I direct Admiral Insurance (Gibraltar) Limited to pay Miss T (in addition to its payment of £250.00):

1. £1,224.00 in part refund of its salvage deduction; and
2. simple interest on £1,224.00 at the yearly rate of 8% from the date of her claim to the date of Admiral's refund. If Admiral considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Miss T how much it's taken off. It should also give her a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 15 February 2023.

Christopher Gilbert  
**Ombudsman**