

## The complaint

Mr B has complained about his motor insurer Admiral Insurance (Gibraltar) Limited as he feels it delayed his claim and made mistakes in handling it, such that its claim settlement was too low to allow him to replace his car.

Mr B has been represented at times by his mother, Mrs B. But as this is Mr B's complaint, in the main, for ease of reading, I'll only refer to Mr B.

## What happened

Mr B had an accident in late April 2021, which was notified to Admiral in early May 2021. Admiral initially felt that the car was worth around £10,000 – about the same as the likely cost of repairs. So it felt the car was a total loss (not economic to repair). Admiral said it would settle with Mr B for what it felt was the market value of the car (at the time of the accident), net some deductions. Around 26 May 2021, it paid him, across two payments, a total of £6,175.62 in settlement of the claim.

Mr B consulted an engineer. The engineer, whom I'll refer to as "M", said the market value for the car had not been properly assessed, and that a fair market value for it was £27,500. Admiral agreed to review matters. It had its engineer, "B", review the car again. B said it now felt the fair market value for the car was £20,000 and, in light of the likely repairs being expected to cost around £10,000, the car was no longer considered to be a total loss. So Admiral told Mr B, in a letter dated 22 July 2021 that it would settle with him for the likely cost of repairs – £10,167.54, less some deductions (including the sum it had already paid him). In that respect, on 4 August 2021, Admiral paid Mr B £3,335.94, and £44.46 in interest because this sum had not been paid to Mr B before. At this time Admiral also sent Mr B a compensation cheque for £225 – this to reflect the upset it accepted its failures to that point had caused Mr B.

M replied to Admiral directly in August 2021. M said it still had concerns about how the market value had been determined by B and that B's figure was still too low. M also said the cost for repairs was far too low. M had the repairs costed by a garage which showed they'd cost in the region of £30,000. Admiral appointed a further engineer, "T" to assess the car in light of M's findings.

M reported that, following meeting a representative of T, it was agreed that the car had a likely market value of £27,500. However, T's report, issued to Admiral at the end of September 2021 said the market value was likely £19,999.00 with a reasonable deduction from that of £1,999.90 needing to be made because the car, at the time of the crash, had no valid MOT. Regarding the repairs, T felt the previous estimate from Admiral's garage was likely not reflective of the cost of work needed to repair Mr B's car. T further felt the repairs would likely cost around £30,000.

Admiral then reviewed all the reports from T and M, as well as B's second report. In a letter dated 4 October 2021 Admiral said it would now, again, view the car as a total loss and look to settle the claim on the basis of the car's market value. In that respect Admiral said it would ignore T's recommendations to deduct a sum in respect of there not being an MOT. Which

meant that two engineers had determined the market value of the car to be £20,000, with M having said it was £27,500. So Admiral said it would look at an average of those three values – £22,500 – on which to base its settlement to Mr B. It said that from that it would deduct what it had paid Mr B already, and the salvage cost of the car, as Mr B was keeping it. It said that left it with a total to pay Mr B of £8,732.64. This was paid by Admiral on 4 October 2021, along with an interest payment of £211.30.

Mr B remained unhappy and M replied to Admiral on his behalf. M said it had taken Admiral too long to come to this decision, and Mr B had incurred costs in the meantime. M said that the sums paid to date had not allowed Mr B to replace his car and without it he'd sometimes had to hire a car, or borrow his mother's, along with paying for insurance to allow him to drive the same. M explained that Mr B's car had also been used to take his household rubbish to a local refuse collection point and, without it, he'd had to pay for his waste to be collected from his (rural) home. M detailed Mr B's financial losses to date, including £1,400 of charges by M. Making Mr B's total losses around £6,000. And M explained that the cost of replacing the car had increased markedly in the interim too – with that now likely going to cost Mr B around £33,000. M also said that Mr B was looking for a payment of £1,500 in recognition of the inconvenience he'd suffered.

Admiral decided to make a further, limited time settlement offer to Mr B. In a letter of 26 November 2021, it said it would pay him £27,500 less payments to date totalling £19,380.94 (this sum including the interest and compensation payments), less the salvage sum of £3,599.82 and less the policy excess of £1,200. Mr B wasn't prepared to accept this offer, so no further payment was made to him.

When Mr B complained to us, our Investigator initially felt Admiral should make an additional payment to him based on the likely market value of the car being £27,500. Mr B didn't feel that resolved all his concerns, and Admiral was equally unhappy with the finding – but for different reasons. Upon reviewing further detail Admiral had provided, our Investigator felt the payments it had made in respect of settling the claim based on the car's likely market value had been fair and reasonable – so he wasn't minded to make it pay more for that. But he felt it should pay Mr B for reasonable hire costs incurred between 28 May 2021 and 4 October 2021. As well as reimbursing Mr B any charge from M for providing its initial market value assessment – but not any further fees. Our Investigator also felt Admiral should pay Mr B a further £500 compensation.

Admiral didn't respond. Mr B said he was unhappy with the findings. So the complaint was passed to me for an Ombudsman's consideration. I felt the fair and reasonable market value was £27,500, meaning Admiral owed Mr B £3,000, plus interest\*. I also felt a further £500 compensation, along with reimbursement of M's fees for the June 2021 and August 2021 reports, should be paid. But I wasn't minded to award Mr B any costs for insurance, the hire car or rubbish clearance. My provisional findings were:

#### *“Market value*

*Mr B's policy entitles him to fair and reasonable market value for his car if it is declared a total loss. And that is the value as was at the date of the loss. Generally claims are settled swiftly such that prices don't markedly change. And if there is some change and there's been some delay, any change is often covered by a payment of interest from the insurer.*

*This service often finds it fair and reasonable to rely on trade guides to assess the market value of a car. But we also acknowledge that, occasionally, for certain vehicles, at certain times, the guides are not reliable sources for market values. I think that is the case here. And I think Admiral should have known from the outset that in the current market, ascertaining a*

fair and reasonable market value for Mr B's vehicle would entail more than just a standard valuation based on the trade guides. Certainly T commented in its report on this very fact.

I note though that as the claim moved on, Admiral discounted B's original assessment of value (based on the trade guides alone). It also chose not to apply any deduction for the car's MOT having expired. T had recommended a 10% deduction in that respect. And, on occasion, the lack of an MOT will affect the saleability and, therefore, market value of a car. But this service, where a deduction is applied, would expect that to be fair and reasonable in the circumstances of that claim. Given the high-demand and nature of Mr B's car (cars of this type are often used for off-road activity), I think Admiral acted fairly and reasonably when it chose not to apply T's recommended deduction.

T's value without deduction was £19,999, B's revised value was £20,000 and M said the market value for Mr B's car was £27,500. So I've considered the reports that were issued when detailing these values – to see if I find any one of them is most persuasive, or if they all hold equal merit. Only if I felt that they all had equal merit would it be fair and reasonable to use an average of the three values returned upon which to base settlement to Mr B – which is what Admiral did.

Having considered them all, I don't think they do hold equal merit. Indeed I find the report from M is most persuasive. B's report to support its revised figure says that internet research was completed to reach a value of £20,000. But no explanation is given of that research, and no evidence in support of it was included. T's report is similar. T's report explains that it initially felt £27,500 (as put forward already at that time by M) was a fair value – and I think this reflects M's account of having met with T and T being in agreement as to M's valuation. But T's report continues to explain that, upon review, and taking into account internet research into values – no detail or evidence of which is explained or given in the report – a value of £19,999 is felt to be fair. That's a big difference with no evidence or even reasoning to support it. In contrast M's report, which I believe T had seen, set out why it was felt a value of £27,500 was fair and reasonable, and included evidence in support of that finding. So I think Admiral acted unfairly and unreasonably when it factored in the values returned by B and T alongside that given by M, using an average of all three on which to base its settlement for Mr B's claim. I think the fair and reasonable market value is £27,500.

T has recently provided further comment on that value. It has sought to argue that because one sales advert for a car similar to Mr B's, but with less mileage, was for a value of only £23,000, that shows that a market value for Mr B's car of £27,500 is not fair and reasonable. I'm not persuaded though that evidence of one advert alone sufficiently disproves the considered and supported expert valuation M initially gave – and which T had the opportunity to fully contest, with supporting evidence and reasoning, in its report, had it wanted to do so. But, as I've said, T's report was not persuasive. So I remain of the view, based on the evidence available, that £27,500 is a fair and reasonable market value for Mr B's car. Given the delay, interest should be added to this sum, but I'll explain what I think Admiral should now pay further on in my decision. Essentially there have been some previous payments made by Admiral, along with some other necessary deductions (the policy excess and salvage – because Mr B kept the car), which I need to take into account.

#### The cost of replacing the car today

Mr B has argued that during the delay in the claim being fairly and reasonably settled, his type of car has appreciated in value so much that even adding interest to the market value sum will not give him enough to buy a replacement. M, in November 2021 said the price for this type of vehicle, similar to Mr B's, had increased to £32,000 – £35,000. But unlike M's previous reports, this figure wasn't supported with reasoning and evidence.

*I have seen some adverts attached to an email dated November 2021, from Mr B to Admiral. But I'm not sure these were adverts compiled or relied upon by M when saying replacement would cost £32,000 – £35,000. I say that as of the six advertised cars, only two had an asking price of over £30,000. Four of the cars advertised were for sale for less than £30,000, and whilst only two adverts included the mileage of the car for sale – those two were less than Mr B's car's mileage.*

*In July 2022 M told our Investigator that the then current price for replacing Mr B's car was £29,000 – £31,000. But no reasoning or evidence was given in support.*

*I bear in mind that as of the date of this decision, another six months or so have passed. But I have conducted a search of the internet to take a view for myself of the likely replacement prices for Mr B's car. As I expected the type, condition and mileage for vehicles for sale varies quite a lot, as does the price attached to them. My search has not been exhaustive and I'm not an engineer so my appraisal of the cars currently for sale has looked very broadly to compare some key factors such as make and model, year and mileage. What is most of note to me in what I've seen is that whilst there are some for sale at around £30,000, many of those are cars younger than Mr B's, and which have done much less mileage. But, further, that cars which are also younger than Mr B's, and which have also done less mileage, are on sale for less than £27,500. So I'm not persuaded that Admiral's delays in settling this claim have caused the market value, which I'm satisfied is fairly and reasonably due in settlement of the claim, to be unreasonably out of line with the cost Mr B will face when replacing his car in today's market. So I don't intend to apply any 'uplift' to the market value of £27,500.*

#### *What I think Admiral should pay in settlement to Mr B*

*I'm satisfied that the fair and reasonable market value is £27,500, and that it would not be fair or reasonable to apply any uplift to that sum. So that is the starting figure from which I'll work out the final settlement.*

*To date, in respect of the market value for the car, not taking into account compensation and interest payments, Admiral has paid Mr B £18,900 (£18,900.18 to be exact – but I'm rounding it down for ease of calculations). That was not net of any excess sum. Mr B's excess is £1,200 – and this sum was taken into account when Admiral made its first payment to Mr B in May 2021. However, when Admiral made subsequent payments, it just paid Mr B the difference between that paid previously and that felt now due. Which meant the excess deduction was effectively overridden. So I need to take the sums of £18,900 and £1,200 from that of £27,500. That leaves £7,400.*

*As Mr B was keeping the car, Admiral was entitled to keep an amount of the settlement due 'in salvage'. In other words if Admiral had taken ownership of the car following its loss, it would have been able to sell it on, in its damaged state and, therefore, obtained some money for it. It isn't unusual in the industry for insurers to often gain 20% of the ascribed market value for a car from their salvage agents. And 20% is exactly the figure Admiral used here – or rather it was the percentage T applied to its recommended adjusted settlement figure of £17,999.10. This netted T's salvage figure of £3,599.82. Admiral then applied this figure to its settlement detailed in its October 2021 letter. But that settlement was based on Admiral's averaged value of £22,500. That then shows to me that Admiral was happy, on this occasion, to settle at a rate for salvage of 16% of the market value. I think that is fair and reasonable in the circumstances. 16% of £27,500 is £4,400. I'll deduct that from the value reached in my above paragraph (£7,400), which leaves Admiral with £3,000 to pay Mr B.*

*To the sum of £3,000, interest\* will have to be applied. This from the date of loss until the date settlement is made.*

### Claim handling and delay

*I've referenced above that Admiral has delayed this claim. Clearly, given what I've said here about the fair and reasonable market value, Admiral had not settled the claim fairly. But its final payment to the value it felt was fair was paid in October 2021. And as my background shows the claim journey to that point was not straight forward. I've commented above regarding Admiral not using a fair and reasonable method of valuation in the first instance. But even before that I think Admiral failed Mr B.*

*Mr B's car sustained some significant damage – the collision was with a large heavy animal. But seemingly neither Admiral nor its garage visually inspected the car to determine the likely repair costs – the estimate was done based on photos alone. When M had the car assessed the necessary repairs were said to be about three times more expensive than Admiral's initial estimate – and that price was later verified by T. It isn't always necessary for a car to be inspected for experts to assess its likely repair cost – but given the nature of the accident and the damage visible in the photos, I think that using the photos alone as a basis for determining what repairs would be needed, and their cost, was flawed. And that, along with the flawed market valuation method I've detailed above, caused the initial claim settlement offers to be unfair and unreasonable.*

*Not only did that cause delays to the claim, but it also meant Mr B had to go to more trouble, spending time and energy to challenge Admiral. I think it should pay Mr B £500 in addition to previous compensation paid (£225) to fairly and reasonably make up for the distress and inconvenience caused by its failings.*

### Financial loss

*Mr B has reported that he has incurred costs as a result of Admiral's failings. So I've considered whether it would be fair and reasonable for Admiral to reimburse him anything.*

#### Expert costs

*M has provided two reports for Mr B – one in June 2021 and one in August 2021. They were in respect of the market value for the car but also regarding the likely cost of repairs. I'm satisfied that these expert reports have influenced the outcome of the claim and complaint. I think Admiral should reimburse Mr B for any costs charged by M in respect of these two reports. But I can't make exact money awards here because, to date, I've not seen evidence of the cost of these two reports.*

*M, in November 2021, said the cost for its work to date was £1,400. But at that time M had also written a further letter to Admiral. The content of that letter was really an objection to the claim settlement as it stood. So it was, in my view, more an attempt by M to assist Mr B in satisfactory settlement of his claim, rather than M providing its expert view on factors of the claim which reasonably required that type of input. That type of claim handling cost is not something I would usually make an insurer reimburse. And I'm not persuaded that the November letter, or any further correspondence from M has materially changed the course of the claim or complaint either. So I'm not going to make Admiral pay Mr B for any costs charged by M, except in respect of the two reports I've detailed above.*

*If Mr B shows the cost for those two reports to Admiral, it will have to pay those costs to Mr B, plus interest\*. Interest should be applied on the sums paid to M, for these reports, from the date of payment until Admiral settles those costs. But Mr B will have to present that evidence in good time. If it has not been sent to Admiral within 14 days of the date we tell it Mr B accepts my final decision if he does, then any interest applicable to any monies later*

*paid should be applied from the date of payment until the end of that 14-day period, then from the date the proof is received by Admiral and until it pays the sums due to Mr B.*

#### *Car insurance*

*Mr B said he borrowed his mother's car because until Admiral satisfactorily settled his claim, he was without a vehicle. Mr B said he had had to pay for temporary insurance to use his mother's car. But I'm not persuaded, from the evidence I've seen, that it would be fair or reasonable for me to make Admiral pay Mr B anything in this respect.*

*It seems to me that regardless of the accident and Mr B not being able to use his car, he had a pre-existing, longstanding arrangement with his mother to use her car. I say that because the insurance documents Mr B provided to us show that he was taking temporary insurance out for his mother's car throughout most of the period from July 2020 to December 2020, and then also for a few days in March 2021 and April 2021, before the incident occurred. In light of that I simply can't be satisfied that Mr B's use of his mother's car, and the resultant need for insurance to be able to do so, at the end of April 2021 and beyond, came from him not having his car after the incident and because of Admiral's delays in providing a fair and reasonable settlement for the claim.*

#### *Hire car and rubbish clearance*

*Whilst M suggested Mr B had hired a car, I'm satisfied that is not the case. Rather, at times whilst Mr B was using his mother's car, his mother hired a car for her own and her daughter's use, and Mr B expects to have to pay her back for this. And Mr B's mother also paid to have their rubbish bins at their home collected – whereas previously Mr B would have used his car to move them to a local collection point. That couldn't be done with Mr B's mother's car or the hire cars. Mr B also expects to have to pay his mother for that. He thinks, therefore, that Admiral should cover both costs. With regret for any disappointment this causes Mr B, I don't think I can fairly or reasonably require Admiral to make any payment to him in these respects.*

*Clearly, looking at the insurance documents provided, and as discussed in the previous section, Mr B had a prior, long-standing habit of using his mother's car. So it seems she might well have been without a car on those occasions too. I think it stands to reason that with the use of her car being previous and longstanding, it was just as likely that she was in the habit of hiring a car previously too. So, as with the insurance costs, I'm not persuaded that the hire costs were only incurred because of Mr B's loss of use of his own car and Admiral's delays.*

*But, in terms of both of the hire and rubbish clearance costs, I think they are losses which are too far removed from the contract between Mr B and Admiral for me to think making Admiral liable for them is fair and reasonable. Essentially they were costs incurred by a non-contracting party to Admiral and Mr B's insurer/policyholder relationship. And I don't think either was a reasonably foreseeable loss likely to result from Admiral's failures. So I don't intend to require Admiral to make any payment in respect of these items."*

Admiral said it agreed with my awards, with one exception. It said it would only pay interest on the increased settlement sum of £3,000 from 25 May 2021, when it had made its first claim settlement payment to Mr B.

Mr B said that Admiral's engagement over vehicle values was prolonged and, disappointingly, seemingly seen by it as an opportunity to haggle to his disadvantage. Significant inconvenience was caused as a result. He was reassured that the provisional findings had recognised this.

Mr B disagreed that interest, in this case, would make up for any disparity in replacement costs from the market value caused by volatility in the market. He asked to see detail of the internet research I had referenced when considering whether an uplift to the market value should be applied.

Regarding the reports, Mr B said there was a cost in addition to the cost of the reports for his research and the like. He'd like me to confirm that all costs will be seen as expert costs which Admiral will have to reimburse. He asked to see copies of the reports.

In respect of car insurance and hire costs, Mr B said he had used his mother's car before but only during the course of a certain employment. This wasn't regular use and on the odd occasions when it occurred, his mother would just arrange her diary so she did not need her car/a car that day. He said further detail could be provided in this respect if required. He noted though that, in the circumstances here, Admiral had reduced their two-car household to one car, for a prolonged period and they all needed transport.

Turning to rubbish clearance Mr B explained that his home is situated at the end of a track, half a mile from the road and rubbish collection point. Mr B had taken the rubbish before but couldn't during the unreasonably prolonged claim as he did not have a suitable vehicle – so it stands to reason, Mr B thinks, that the cost incurred (by his mother) to resolve this, reasonably lies with Admiral.

Upon reviewing the parties' responses to my provisional decision, I noted Mr B's request to see the internet detail and copy reports. I contacted Mr B via our Investigator, further details were sent to him and I said:

*"I note your request for sight of M's reports from November 2021 and July 2022. But I think you have seen these before – you sent the November report to Admiral and M sent a copy of his June report to yourself. For your ease of reference though, our Investigator will forward copies to you.*

*I will also ask our Investigator to send you some internet detail of 'for sale' vehicles. My provisional decision explained I'd completed an assessment to satisfy myself as to likely sale prices for vehicles similar to that insured. Unfortunately, a technical difficulty means that exact detail is not available. But I have reviewed my findings again today, and checked sales detail, which I can share with you. I remain satisfied, at this stage, by what I said provisionally."*

I gave Mr B an opportunity to provide any further evidence or comment in reply to my findings. No further response was received.

### **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 is aware that where an insurer delays a claim that this service will often award interest on any claim settlement award from the date of loss. Admiral hasn't provided any compelling reason for taking a different approach here.

I note that Mr B disagrees that interest sufficiently makes up for a short-fall between the market value for his car and sale prices. But I also note that Mr B has provided nothing in reply to show that, to replace his car, he will have to pay substantially more than the market value I have found is fairly and reasonably due to apply to his claim of £27,500.

If Mr B had a cost to himself in spending time completing research, perhaps in finding his expert, then that is not the same thing as him incurring the cost of an expert to provide expert advice. Mr B is compensated for his inconvenience, but with an expert involved, who clearly undertook to assist in handling the claim for Mr B too, I don't think making a further award of costs to Mr B would be fair or reasonable here. However, if the expert billed part of his time for research and part for writing the resultant reports, then both of those are the cost of employing an expert to provide expert advice. I remain of the view that Admiral should reimburse Mr B any costs charged by M for completing his reports dated June 2021 and August 2021. Mr B will have to provide it proof of these costs.

The details Mr B provided about insurance cover he had purchased for him to drive his mother's car showed he took cover at least for a few days each month from July 2020 through December 2020. Some periods of cover were longer than a few days, such as a fortnight in July 2020 and eight days over the course of two weeks in September 2020. And into 2021, even before Mr B had the incident in April which led to the claim, he had taken insurance on his mother's car for a whole month. I'm not persuaded that Admiral's failures, whilst they undoubtedly meant Mr B was without his car, caused the need for him to use his mother's car where he otherwise would not have done so.

I appreciate that Mr B is part of a household. But Admiral does not insure the household. Admiral has liability to Mr B as its policyholder. And when it fails him it has to make up for that, including by compensating him for reasonably foreseeable losses caused to him as a result of its failures. I remain satisfied by what I said in this respect in my provisional decision and Mr B's response hasn't caused me to change my view.

Having reviewed the parties' responses to my provisional decision, I find I've not been persuaded to change my view from that set out provisionally. As such my provisional findings are now the findings of this, my final decision.

### **Putting things right**

I require Admiral to:

- View the market value for Mr B's car as £27,500.
- Pay Mr B £3,000 as an outstanding sum left to be paid against the market value, with previous payments, the policy excess and salvage having been accounted for.
- Calculate and pay to Mr B interest\* on the £3,000 payment, applied from the date of loss until settlement is made.
- Pay Mr B a further £500 compensation – where £225 has been paid already, making the total compensation award £725.
- Upon receipt of proof of M's charges for the June 2021 and August 2021 reports, and payment of the same being made, make a payment in-line with those to Mr B.
- Add interest\* to any of M's charges being paid to Mr B. If Mr B takes more than 14 days after he accepts my final decision (if it remains the same and he does) to provide the proof of M's charges and payment for them to Admiral, then the application of interest will cease temporarily at the end of that 14 day period, resuming again once Admiral receives the proof, ceasing finally when payment is made (if a payment is felt to be due).

\*Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. HM Revenue & Customs requires Admiral to take off tax from this interest. If asked, it must give Mr B a certificate showing how much tax it's taken off.

### **My final decision**

I uphold this complaint. I require Admiral Insurance (Gibraltar) Limited to provide the redress set out above at "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 21 April 2023.

Fiona Robinson  
**Ombudsman**