

The complaint

Mr L1 complains about the settlement Admiral Insurance (Gibraltar) Limited offered for the loss of his car following a claim made on his motor insurance policy. He wants to be paid the car's correct market value. Mr L1 is represented in this matter by his father, Mr L2, a named driver on his policy.

What happened

Mr L1 was involved in an accident and Admiral deemed his car to be beyond economical repair. Admiral offered Mr L1 £15,650, less the £550 policy excess, in settlement of his claim. But Mr L2 said they couldn't replace the car for this amount. He said the car was rare, in immaculate condition and with low mileage. He said a similar car was advertised for sale at £19,500.

Our Investigator recommended that the complaint should be upheld. She found valuations for Mr L1's car in four of the motor trade guides we use. One of these was an outlier and so, in keeping with our approach, it would usually be discounted. But she thought that it should be included to obtain a fair valuation of Mr L1's car because of its rarity. So she took an average of the four valuations and thought Admiral should increase its settlement offer to £16,009.50.

Admiral replied that it disagreed as it thought its settlement offer was in keeping with our approach. Mr L2 replied that he thought the guides were wrong and didn't reflect current market prices or the rarity of the car. He thought Admiral should increase its offer to £19,500.

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.

I can understand that Mr L1 wants a fair settlement for the loss of his car. The Investigator has explained this service's approach to car valuations. We don't provide valuations for cars but look to whether the insurer's offer is reasonable.

In assessing whether a reasonable offer has been made, we obtain valuations from motor-trade guides. These are used for valuing second hand vehicles. We find these guides to be particularly persuasive, largely because their valuations are based on nationwide research and likely sales figures. The guides also take into account regional variations. We also take all other available evidence into account, for example, engineers' reports.

Our Investigator checked the motor trade guides we use. I can see that she looked for cars of the same make, model, age, mileage, condition and specification as Mr L1's car at the date of its loss. Three of the valuations she found were in keeping with Admiral's offer, but one valuation was significantly higher.

I accept that when one of the guides' valuation is significantly different to the others', our approach is usually to discount it. But I'm not satisfied that this would lead to a fair and reasonable outcome in this particular case. This is because I can see that Mr L1's car was rare, and few examples are advertised for sale.

Current market conditions mean that the values of second-hand cars are changing rapidly. In some cases, this has meant the motor trade guides have been unable to reflect the current market in the valuations. This is especially so in the case of rare cars where few examples have been sold. So we don't automatically discount a guide as an outlier. Where we can see that a certain guide is more in line with adverts the consumer or business have sent us, we may decide it is reasonable to use this to work out the market value.

Mr L2 provided adverts for similar cars sold at much higher prices, but these were not in keeping with any of the motor trade guide valuations. Our Investigator also found examples of similar cars advertised for sale at higher prices than Admiral's offer, but at lower prices than Mr L2 found. These were closer to the outlier valuation provided by the motor trade guide. So I have considered these here and I'm not persuaded that the outlier valuation should be dismissed as I think it provides a reflection of the current market value.

And I think a fairer valuation for Mr L1's car would be an average of the four valuations from the motor trade guides we use, £16,009.50. And so I agree with the Investigator's view that Admiral's settlement offer was too low and therefore it wasn't reasonable. And it should increase it to this amount, with interest from the date of the initial payment as Mr L1 has been without his money for some time.

Putting things right

I require Admiral Insurance (Gibraltar) Limited to increase its valuation of Mr L1's car to £16,009.50 and pay him the difference between this amount and its previous payment. Interest should be added to this difference at the rate of 8% simple per annum from the date of the initial payment to the date of the final settlement.

If Admiral considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr L1 how much it's taken off. It should also give Mr L1 a tax deduction certificate if he asks for one, so he 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 in part. I require Admiral Insurance (Gibraltar) Limited to carry out the redress set out above. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 17 May 2023.

Phillip Berechree
Ombudsman