

The complaint

Mr S complains about Admiral Insurance (Gibraltar) Limited's ("Admiral") valuation of his car following a claim under his car insurance policy.

What happened

Mr S was involved in a road traffic accident and, following a claim made to Admiral, his car was declared a total loss. Admiral valued Mr S's car at £35,920 and, after deducting the excess, they paid Mr S a settlement of £35,320. Mr S complained as he felt the valuation wasn't fair, particularly as he'd bought his car for £42,000 a few months earlier. Admiral responded and maintained their valuation was fair and didn't uphold the complaint.

Our investigator looked into things for Mr S. She thought Admiral hadn't offered a fair valuation and recommended they increase the settlement to £37,247 and pay 8% simple interest on the additional settlement amount. Mr S disagreed so the matter has come to me for a decision.

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.

Having done so, I've decided to uphold the complaint. And, I think the investigator's recommendation here is a fair way to resolve matters. I understand Mr S will be disappointed by this but I'll explain why I have made this decision.

My starting point is Mr S's car insurance policy document. This sets out the terms and conditions and says, if Admiral decide to pay a cash sum to replace a car, the most they'll pay is the market value of the car. The policy defines market value as "*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... This value is based on research from industry recognised motor trade guides.*" The dispute here relates to the valuation, so the next point I've considered is whether Admiral acted fairly when carrying out their valuation.

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 of likely selling prices. The guides refer to advertised and auction prices to work out what the likely selling price for the same vehicle would be. This takes into account all the specifications of the vehicle as well as any extras and the mileage.

Mr S is unhappy with Admiral's valuation of his car as he thinks it's worth more – particularly as he says he paid £42,000 for his car only a few months earlier. I've seen that Admiral reached their figure by using two industry recognised tools to find out the market value of the car. I can see they used Glass's to arrive at a valuation of £35,920 and CAP which gave a valuation of £35,400. Admiral used the higher of the two valuations to settle the claim.

I can see our investigator took into account two additional motor guides to get their valuation for Mr S's car at the time of the incident. I can see these similarly took into account the make, model, age, mileage and specification. Using Cazoo the market value given was £38,516 and AutoTrader was £39,152. Taking these figures into account, the average across all four motor guides is £37,247.

Given that the difference between this valuation and what Mr S received is £1,327, I don't believe, in the circumstances of this case, Mr S received a fair settlement. I say this because Admiral only used two motor-trade guides – and although they then used the higher valuation out of the two to settle Mr S's claim, this still produced a lower valuation when compared with the two guides which weren't used. It's not the role of this service to put an exact value on a car. When looking into these types of complaints we check the relevant trade guides and consider whether the insurer has made a reasonable offer in line with them. It's our role to make sure Admiral is giving Mr S a fair price using a fair and recognised approach.

In this case, I can't say that has happened here as Admiral's valuation relied on only two guides – and those two produced the lowest valuations when comparing all four of the industry recognised motor trade guides. Admiral haven't provided any information to explain why the other two trade guides weren't used so I don't think they've followed a fair approach here. And given this has then led to what I believe is a fairly significant reduction in the amount paid to Mr S, I don't think Mr S has received a fair price. Based on the information provided about Mr S's car and using the trade guides, I don't think Admiral have carried out a fair valuation. After making deductions from the settlement amount, Admiral have already paid £35,320, so they should pay Mr S £1,327 together with 8% simple interest from 9 July 2022 to the date of settlement.

I understand Mr S says he provided Admiral with comparable cars being offered for sale on a car trading platform – which he says were in the range of £43,000 to £50,000. I do acknowledge Mr S's point, but we usually place less weight on advertisements as they contain asking prices that are often negotiated downwards. In addition to this, the terms and conditions set out how Admiral will carry out a valuation – and this doesn't refer to them basing the valuation purely on advertised prices. I'm sorry to disappoint Mr S but advertised prices aren't enough to persuade me the trade guides are unreliable for a car like Mr S's.

I note Mr S says his car is a type which has a low base specification and optional extras added significant value to his car. Optional extras are additional specifications which can be added to a car when it is in the factory. These usually come with an additional cost which is paid by the purchaser. While some optional extras can increase the resale value of a car, some won't increase the price but may make the car more desirable to buy. As with cars generally, optional extras will depreciate over time. I can see Mr S has provided a list of optional extras and we've matched these to a motor trade guide showing the value of those optional extras at the date of loss. The optional extras show a depreciated value of 0. I am sorry to disappoint Mr S as it's clear the range of optional extras gave the car a higher specification – but I can't say it's unreasonable to apply the same industry recognised tools to assess this. I acknowledge Mr S's point here about the approach that a main dealer would take to cars with optional extras and the higher price that a higher specification car will attract. But, as mentioned above, we look at trade guides to assess a fair price for a car – and that's what we've done here.

Mr S refers to a separate incident which led to him making a claim against his insurer at the time. He says their approach was completely different. He says they discussed advertised prices and main dealer listings with Mr S and arrived at a valuation together. Mr S says the insurer in that claim was keen to ensure that he received an appropriate settlement which would allow him to actually replace his car. I do acknowledge Mr S's points and I note his concern here arises out of him not being able to find a similar car for the settlement he has

been offered. I think it's important to note, different insurers might take different approaches to settling car claims, but I can only look at the facts of each case individually. And in this case, I don't think it's unreasonable if Admiral haven't taken a similar approach to that taken by Mr S's previous insurer. That said, I do think Admiral's approach wasn't fair – but to correct this I'm directing Admiral to pay Mr S £37,247 – which represents a fair price.

I understand Mr S will be disappointed, and I acknowledge his concerns about how his car has been valued. I hope Mr S feels reassured that I agree Admiral haven't followed a fair approach when valuing his car – but I don't agree they should meet the value Mr S wants. I wish to reassure Mr S I've read and considered everything he has sent in, but if I haven't mentioned a particular point or piece of evidence, it isn't because I haven't seen it or thought about it. It's just that I don't feel I need to reference it to explain my decision. This isn't intended as a discourtesy and is a reflection of the informal nature of our service.

Putting things right

I've taken the view that Admiral haven't carried out a fair valuation of Mr S's car. So, Admiral should pay Mr S £1,327 together with 8% simple interest from 9 July 2022 to the date of settlement. Admiral should provide Mr S with a certificate showing any taxation deducted.

My final decision

My final decision is that I uphold the complaint. Admiral Insurance (Gibraltar) Limited must take the steps in accordance with what I've said under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 19 May 2023.

Paviter Dhaddy
Ombudsman