

## **The complaint**

Miss H complains Admiral Insurance (Gibraltar) Limited (“Admiral”) undervalued her car after it was recorded as a total loss under her motor insurance policy. She also complains it unfairly cancelled her policy.

## **What happened**

Miss H has a motor insurance policy with Admiral.

Unfortunately, Miss H was involved in a car accident. Her car was written off – known as a total loss – after Admiral said it was uneconomical to repair. Admiral settled Miss H’s claim less the policy excess and premium.

Prior to the settlement Miss H complained about the handling of the claim. She said the valuation of her car wasn’t enough and it wasn’t fair the policy was cancelled. Admiral said it had valued Miss H’s car correctly using the trade guides, although it did subsequently increase the pre-accident value.

Admiral explained the market value doesn’t necessarily mean the price paid for the car. Admiral said in order to obtain a vehicle’s value it uses industry recognised guides. Using this the valuation was calculated. Admiral initially calculated the value at £1445. But when it checked the figures it agreed to increase the value to £1545 which was the maximum value in one of the guides. Admiral apologised for providing Miss H with an initial incorrect valuation and paid £25 for the error. Miss H remained unhappy so she referred her complaint to this service.

Our investigator looked into the complaint. He said he didn’t think Admiral treated Miss H fairly. He said he would only expect an insurer to cancel a policy if the consumer didn’t want to add a replacement vehicle to the policy, or the insurer wouldn’t accept the new vehicle due to its underwriting criteria, or the consumer didn’t replace the vehicle within a reasonable time. But since Miss H was paying her premium monthly he didn’t think it was fair for Admiral to deduct the outstanding amount in one lump sum without her agreement. The investigator said Admiral had paid Miss H less than the valuation in the trade guide and cancelled her policy. This left Miss H unable to purchase a new car and caused distress and inconvenience.

So the investigator said Admiral should pay Miss H the balance of a fair market value with interest, allow Miss H to add her new vehicle to the policy subject to underwriting criteria, and pay £350 compensation for the distress and inconvenience caused.

Admiral agreed to increase the valuation of the car and pay the difference. But didn’t agree with the investigator’s view about the policy cancellation. It said the terms and conditions clearly advise if the car is deemed a total loss the policy will be cancelled. It didn’t agree with the compensation offered and made an offer of £150 instead.

Since Admiral didn’t agree the complaint has come to me to decide.

## 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.

### Valuation

Miss H's policy says, *"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."* I need to consider whether Admiral used the right market value for the car under the terms of the policy.

Valuing cars by using motor trade guides is standard practice in the industry. So our approach in these types of cases is to check the relevant trade guides and consider whether the insurer has made an offer that's in line with them. The guides are based on transaction data – actual selling prices – so give a more realistic indication of a car's value than adverts, which don't account for any negotiations that take place over the sale price.

Admiral reviewed its initial valuation and agreed to increase it to the highest valuation from all four standard trade guides. Having considered the guides, the value Admiral applied to Miss H's car was less than I would have expected, and certainly less than what I have seen in the evidence provided.

Admiral said its valuation was based on Caps guide which gave a value of £1,545. But on review of its submission to this service the Caps valuation is £2,250. So I don't think Admiral has treated Miss H fairly and in line with the terms of the policy.

### Cancelling the policy

Miss H's policy includes a term which says Admiral can, *"stop cover immediately and cancel your policy if your vehicle is deemed a total loss."* The policy also says, *"if a claim has been made during the period of insurance you must pay the full premium and no refund will be given."*

Miss H made a claim on her policy in November 2022. So based on a strict application of the policy terms I accept Admiral is able to cancel her policy and charge her the full cost of the premium, and this is what it did.

But my remit is also to consider what is fair and reasonable in the circumstances. And in this case, I don't think a strict application of the policy terms is fair or reasonable. Miss H was unable to replace her vehicle due to the incorrect market valuation offered in settlement of the claim. Admiral then deducted the excess and the full premium from the incorrect figure.

When Admiral declared the vehicle a total loss I would have expected it to offer Miss H the option of bringing a replacement vehicle onto the insurance policy, subject to its underwriting criteria, so the remainder of the policy term could be used. I would expect Admiral to allow a reasonable time for the consumer to do this. From what I've seen Miss H was not given the option to add a new vehicle to her existing policy. I think had she been given that option it's likely she would have explored this further with a view to replacing the car. Especially given the level of inconvenience and disruption caused by not having a vehicle.

I note Admiral's comments that it cannot allow a motor policy to remain active with no risk on cover, and that it won't reinstate Miss H's direct debit. But I don't think it's fair for Admiral to

require the outstanding premium in one lump sum when it could have continued to collect it by instalments.

Because of this I think Admiral acted unfairly in cancelling Miss H's policy and not refunding her premiums. And I require it to take steps to rectify this which I have detailed below.

### **Putting things right**

When thinking about what Admiral should do to put things right, any award or direction I make is intended to place Miss H back in the position she would have been, had Admiral acted fairly in the first instance.

In this situation, had Admiral acted fairly, I think it would have allowed Miss H to add a new vehicle to the policy and continued to collect the premiums by monthly direct debit. It would also have fairly paid her the market value for the vehicle; based on the top figure of the trade guides. I think this would have allowed Miss H to purchase a replacement vehicle and continue to pay for her policy in monthly instalments, subject to underwriting criteria.

So I think Admiral should pay Miss H the difference between its final valuation of the claim at £1,545 to the correct value of £2,250, along with 8% from the date the claim was settled to the date of payment to recognise the length of time Miss H has been without access to these funds.

And had Admiral settled the claim fairly in the first instance I don't think Miss H would have needed to continue to engage with Admiral and ourselves in an attempt to recoup the amounts she felt had been deducted unfairly. I'm satisfied this has taken time and effort from Miss H, and I don't doubt it would have been both stressful and upsetting during that process. Our investigator recommended Admiral pay £350 to recognise this trouble and upset. I think this recommendation is a fair one, that falls in line with our service's approach and what I would have directed, had it not already been made. So I intend to direct Admiral to pay this additional amount.

### **My final decision**

For the reasons outlined above I uphold Miss H's complaint about Admiral Insurance (Gibraltar) Limited and I intend to direct it to take the following action;

- Pay Miss H as follows;

○ Increased valuation	£2250
○ Less excess	£300
○ Less remaining premium	£698.45
○ Less payment already made	£546.55
○ <b>Balance</b>	<b>£705 plus 8% interest from 21/11/2022</b>
- Allow Miss H to replace the car within 30 days of the expiry of this decision. If the car is an acceptable risk, Admiral should reinstate the policy and put the new car on cover. Depending on the make and model of the replacement vehicle, an additional premium may be required by Admiral. This should be calculated on a pro rata basis for the remainder of the policy term.
- If Admiral is unable to do this for any reason Admiral should refund the remaining premium initially deducted from the claim settlement of £698.45

- Pay Miss H £350 to recognise the distress and inconvenience she has been caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 15 June 2023.

Kiran Clair  
**Ombudsman**