

The complaint

Miss H complains that Admiral Insurance (Gibraltar) Limited hasn't offered a fair settlement for the total loss of her vehicle after a claim was made on her motor insurance policy.

What happened

In 2022, Miss H was involved in a car accident. She made a claim to Admiral under her motor insurance policy, and her car was deemed a total loss. Admiral made an offer of £15,600 for the market value of the car. But Miss H considered this to be too low, so she raised a complaint.

Admiral said its offer was in line with the valuations obtained through the motor trade guides. As this is the industry's approach to establishing the market value of vehicles, it was satisfied its offer was fair. Miss H didn't agree; she says she can't purchase a like for like car for the amount offered. She brought her complaint to our Service.

Our Investigator obtained her own valuations through the motor trade guides and she concluded that Admiral's offer was slightly too low. She recommended an offer of £15,815 was fair in the circumstances.

Admiral accepted the increased settlement, but Miss H remains of the opinion that it's too low. So the complaint has been passed 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.

For clarity, it's not my role to work out the exact value of Miss H's car. What I need to decide is whether Admiral has applied the terms of the policy correctly and valued the vehicle fairly.

Miss H's policy says that Admiral will pay the market value of the car, in the event of a total loss. The policy defines the 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. Use of the term 'market' refers to where your vehicle was purchased. The value is based on research from industry recognised motor trade guides."

Assessing the value of a used car isn't an exact science. However, like most insurers our Service often finds the motor trade guides persuasive. This is because their valuations are based on nationwide research, and they show likely selling prices at the month of loss. The guides also allow for the specifications of most cars to be taken into consideration including any extras. This is particularly helpful, as factors such as the age and mileage of a car can have a big impact on its value. We also think motor trade guides are generally more reliable than car adverts as asking prices in adverts tend to be inflated to allow room for downward negotiation.

I've reviewed the trade guide valuations provided by Admiral, as well as the ones obtained by our Investigator which were slightly higher, as follows: £14,910, £15,550, £16,364 and £16,436. I can confirm all these values were based on the correct specification for Miss H's car and the correct month of loss. We'd usually expect an insurer to provide a value that falls within the range of values suggested by the guides. There is no requirement for them to offer the highest amount, so I think the average of these figures – which is £15,815 – as suggested by our Investigator, is fair in the circumstances.

I appreciate Miss H says she can't purchase a like for like car for this amount, but as I've explained, the policy covers her for the market value of her car and the motor trade guides are the industry's process in determining what that value is – which is a process we consider to be a fair consideration of the market.

As such, taking into account the individual circumstances of this complaint, I see no reason to direct Admiral to deviate from this process.

My final decision

For the reasons I've explained, I uphold this complaint and direct Admiral Insurance (Gibraltar) Limited to pay Miss H the claim settlement of £15,815, minus any payment it's already made towards the total loss.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 14 June 2023.

Sheryl Sibley
Ombudsman