

The complaint

Mrs P is unhappy with Admiral Insurance (Gibraltar) Limited's (Admiral) handling and settlement of a claim made under her car insurance policy.

What happened

A third-party vehicle hit Mrs P's vehicle causing damage. So, Mrs P contacted Admiral, her car insurance provider.

Mrs P's car was deemed a total loss. As the car was on a lease hire agreement, Admiral cleared the remaining agreement balance. They also paid Mrs P £516.19, which was a proportion of the deposit that she'd paid the finance company at the outset of her agreement.

However, Mrs P was unhappy with the settlement she received. She said that as the market value of the vehicle was much more than the remaining lease hire payments, she should be given the difference, or at least the full amount she paid as a deposit. She was also unhappy with Admiral's handling of the claim. So, Mrs P complained to Admiral.

Admiral's claim settlement decision remained the same, as they said this was in line with the policy terms. However, they agreed the handling of the claim fell short, so they paid a total of £200 compensation.

As Mrs P remained unhappy, she approached this service.

One of our investigators looked into the complaint but she didn't uphold it. She thought Admiral had acted reasonably, so she didn't recommend they do anything further.

Mrs P didn't agree and asked for a final decision from an ombudsman.

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 accepted their communication and claim handling fell short. This included not telling Mrs P that payment had been made to the finance company, the hire vehicle had been terminated at short notice and the excess had been deducted from the settlement. Admiral offered a total of £200 compensation. I think this is a reasonable amount for Admiral's handling of things, so I'm not going to direct them to increase the level of compensation.

Mrs P is also unhappy with how Admiral has settled her claim. The terms of Mrs P's policy say:

"If your vehicle is subject to a hire purchase agreement, we will pay any money owed to that company first and then pay any remaining money to you. If your vehicle is on lease or contract hire, we will pay the lease or contract hire company either the

market value of the vehicle, or the amount required to settle the agreement, whichever is less."

Mrs P says she wasn't made aware that this is how claims for lease hire vehicles would be settled. However, this was in the terms and conditions provided when she took out her policy, and I think they were clear.

The terms explain that where the vehicle is on a contract hire or lease agreement, if the remaining agreement amount is less than the market value, that's all Admiral would pay. That's relevant in this case as the remaining agreement amount was £23,024, and the market value was higher than this, so Admiral settled the claim in this way.

However, Mrs P says that as the market value was higher, Admiral should pay her the difference between the market value and the remaining agreement amount, or at least what she paid for the initial deposit. Instead, Admiral has paid £516.19, which is the unused deposit amount pro-rata for the remaining time the agreement was due to run, which is much lower than the initial payment Mrs P made to the lease hire company.

I agree with what our investigator said to Mrs P. I wouldn't expect Admiral to pay Mrs P the difference between the agreement remainder and the market value, as Mrs P had no equity in the car because it was under a lease hire agreement, so she wasn't the owner and wouldn't have been at the end of the agreement. As Mrs P had no equity in the vehicle, the only financial loss she has incurred is the unused portion of her deposit which was paid at the start of the agreement to cover the duration of the agreement period. But Admiral has paid Mrs P that unused proportion already. If they hadn't, that's what I would have been directing them to do. But as they have already done that, I think they've acted fairly and reasonably, so I'm not going to direct them to pay more than this.

Mrs P has said if she had the finances at the time to arrange a different type of finance agreement, rather than lease hire, she'd have been in a better financial position now. This is because she says she would have received the difference as per the terms of her policy, so she says she's in a worse position because of the agreement she had and that isn't fair.

However, the fact here is that Mrs P had a lease hire agreement, so she wasn't the owner of the vehicle, wasn't going to become the owner when the agreement ended and didn't have any equity in it, whereas other agreements would have operated differently to this. So, it wouldn't be fair to direct Admiral to pay Mrs P additional funds, based on how a claim would be settled for an agreement she didn't have.

Mrs P has also questioned why the third party isn't paying her the difference as she said they were responsible for the accident. My remit here is Admiral and Mrs P as their customer, I can't comment on the third party or their insurer as part of this complaint.

My final decision

It's my final decision that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 17 August 2023.

Callum Milne
Ombudsman