

The complaint

Mr W complains about the settlement that Admiral Insurance (Gibraltar) Limited offered for the total loss of his truck following a claim made on his motor insurance policy. He's also unhappy with its level of service. Mr W is represented in this matter by Mrs W, a named driver on his policy.

What happened

Mr W's truck was damaged in an accident, and he made a claim on his policy. Admiral offered him £5,500 in settlement of his claim. The policy excess was waived as Admiral had received an admission of liability from the other driver's insurer. But Mr W was unhappy with this offer. He thought he couldn't replace his truck for this amount. Admiral later increased its offer to £5,730.60 as it realised it hadn't added VAT.

Mr W remained unhappy with this, that Admiral deducted an amount for retained salvage when he hadn't said he wanted to keep the truck, and with its customer service. Admiral said its settlement offer was fair as the valuation was based on two of the motor trade guides we use. It said Mr W hadn't said he didn't want to retain the salvage. But it thought its customer service had been wanting and it offered Mr W £100 compensation for this.

Our Investigator recommended that the complaint should be upheld. She thought Admiral had reasonably based its settlement for the car's market value on two of the motor trade guides we use. But she found a valuation in a third guide which she thought should also be considered. So she discounted the lowest of the three guides as it was out of step with the others and took an average of the two highest valuations.

She thought Admiral should increase its settlement offer to £6,656, recalculate the salvage deduction, and add interest on the difference. She thought Admiral had explained the retention process to Mr W and he hadn't said whether or not he wanted to retain the salvage. So she didn't think Admiral had done anything wrong in this. But she thought Admiral should increase its compensation for poor service to £200.

Admiral replied that it thought it was fair to take an average of the three valuations and it said it would increase its settlement to this amount. It agreed to pay interest on the difference in payment. And it agreed to pay £200 compensation for service failings. Admiral asked for an Ombudsman's review, so the complaint has come to me for a final 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.

I can understand that Mr W wants a fair settlement for the loss of his truck. He said he'd seen similar trucks advertised for between £8,000 and £10,000 and so he was disappointed with Admiral's offer.

I can see that Mr W's policy provides for the truck's market value in the case of its total loss. 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, engineer's reports.

Mrs W has provided adverts for similar trucks advertised at higher prices. But we don't find advertisements particularly persuasive as these are essentially asking prices and aren't selling prices. It's for this reason that the trade guides are used as they provide evidence of likely retail selling prices.

Our Investigator thought Admiral's settlement offer was fair as it had followed our approach in using two of the motor trade guides. But she thought it should also take into account a further valuation she found in a third motor trade guide. And I agree that it would be unfair to Mr W to discount this valuation as we look for valuations from four motor trade guides to ensure a fair outcome. So I've checked how the valuations were made.

I can see that the Investigator looked in the motor trade guides we use for trucks of the same make, model, age, mileage and condition as Mr W's truck at the date of its loss. In keeping with our approach she discounted the lowest valuation as it was significantly different to the other two which were very similar.

And I'm satisfied that she then correctly took an average of these two valuations. The average of the valuations she found was £6,656. And so I agree that Admiral should fairly and reasonably increase its base settlement offer to this amount.

Admiral had deducted the salvage as Mr W retained this. I can see that Mrs W was unhappy with this as they then had the trouble and stress of selling the salvage. But, as our Investigator explained, Mr W was given the opportunity to tell Admiral whether or not he wanted to retain the salvage, but he didn't answer the question he was repeatedly asked.

So I can't say that it was unfair for Admiral to deduct the salvage value. It will now have to recalculate this due to the increase in the base valuation and, as it has agreed, pay interest on the difference in settlement.

Admiral has also agreed to increase its compensation for its level of service to £200. I can see that Mrs W had to chase Admiral for updates and didn't receive promised calls back. This caused Mr W and Mrs W stress over several weeks. And I think, in keeping with our published guidance, £200 is reasonable compensation where there have been service issues lasting several weeks.

Putting things right

I require Admiral Insurance (Gibraltar) Limited to do the following:

1. Increase the valuation for Mr W's truck to £6,656, calculate the new salvage charge based on its internal criteria, deduct this, and then pay Mr W the difference.
2. Add interest on this difference at the rate of 8% simple per annum from the date of the previous settlement (7 December 2022) until final payment†.
3. Increase its offer of compensation for the distress and inconvenience caused by its level of service to £200 in total, as it's agreed to do.

†If Admiral considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr W how much it's taken off. It should also give Mr W 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. 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 W and Mrs W to accept or reject my decision before 12 September 2023.

Phillip Berechree
Ombudsman