DRN-4344676

The complaint

Mr C complains about the settlement he received from Admiral Insurance (Gibraltar) Limited after he made a claim under his motor insurance policy.

What happened

In April 2023, Mr C made a claim under his motor insurance policy with Admiral after his car was stolen.

Admiral offered Mr C a settlement of £48,490 (minus the policy excess). Mr C didn't think Admiral's settlement offer was sufficient to allow him to buy a similar car. He raised a complaint, but Admiral maintained his position. So, Mr C asked our service to consider the matter.

Our investigator thought Mr C's complaint should be upheld. He reviewed four industry trade guides and concluded that Admiral's settlement was too low. He recommended Admiral increase the valuation to an average of the four guides and increase the settlement accordingly. He also recommended Admiral pay Mr C interest on the additional payment.

Admiral disagreed with our investigator's outcome. It thought the highest trade guide value should be considered an outlier. It said it was willing to increase the valuation to an average of the remaining three guides. But it wasn't willing to pay the amount our investigator had recommended. 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.

Having done so, I've decided to uphold Mr C's complaint. I'll explain why.

The policy terms say the most Admiral will pay to settle a claim for loss or damage to a vehicle is the market value of the vehicle.

"Market value" is defined 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. This value is based on research from industry recognised motor trade guides."*
Admiral used two trade guides to value Mr C's car. It's provided screenshots of the valuations which are showing as £48,000 and £48,980. Admiral's settlement was based on an average of the two guides.

Our service has carried out our own vehicle valuation checks on Mr C's vehicle, using four trade guides. These valuations are showing as £47,000, £48,390, £54,944 and £58,228. The average of the four valuations is £52,140.50.

I think it's reasonable for the market value to be assessed as the retail price Mr C was likely to have to pay for a comparable vehicle at a reputable dealer. The fairest way of doing this is by using the standard industry guides. These are based on extensive national research of likely selling prices. They can provide valuations based on the make, model, age, condition and specification of a vehicle.

Admiral says it's common for the two trade guides giving the lowest valuations to be similar due to them both extracting data from actual selling prices. It is also common for the two other trade guides to be similar due to them extracting data using advertised prices. It says its willing to include the second highest guide to provide Mr C with a fair valuation. However, the highest guide is clearly much higher than this and unexplainably so.

Mr C has commented that he feels the settlement should be based on the two trade guides giving the highest valuations. He believes these values are more likely to be accurate as they are from car retailers.

We'd normally agree an insurer's valuation is fair if it's in the range of the guides. However, if an offer is at the low end of the guides we use, we might consider it fair and reasonable to tell an insurer to base its settlement on an average of all the guides. This is because an insurer needs to use a fair market value and an offer at the lower end of the guides is unlikely to be enough for a consumer to replace their vehicle with one that's like for like.

I appreciate Admiral believes we should disregard the highest guide value because the difference between that and the second highest is £3,284. However, the difference between the two middle values is around double this, and the range of all of the values is around £11,000. So, I'm not persuaded that the highest value should be considered an outlier.

I think an average of all four guides is more likely to reflect a fair market value for the vehicle. So, Admiral should increase the settlement to £52,140.50 (less the policy excess) and apply interest to compensate Mr C for the time he's been deprived of the money.

Putting things right

Admiral should:

- Pay Mr C £3,650.50 and
- Add interest to the above at 8% simple per year* from the date the original settlement was paid until the date the additional amount is paid.

*If Admiral considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr C how much it's taken off. It should also give Mr C 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 I've explained, I uphold Mr C's complaint and direct Admiral Insurance (Gibraltar) Limited to put things right by doing as I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 26 October 2023.

Anne Muscroft
Ombudsman