

The complaint

Mr H is unhappy with the cash settlement offered to him by Admiral Insurance (Gibraltar) Limited following a claim he made on his motor insurance policy.

What happened

Mr H has explained that his car was involved in an accident in December 2022. The car was sitting stationary in traffic, when the vehicle behind collided with it, causing damage to Mr H's car.

Because of the damage caused to the car Mr H raised a claim with his motor insurer, Admiral. Admiral considered Mr H's claim and accepted it. Admiral declared the car was a total loss, and made a settlement offer to Mr H. This offer was £6,070. This was based on Admiral noting the pre-accident value of the car was £6,420, minus a £350 policy excess.

Mr H didn't consider this settlement to be fair – because he felt the valuation Admiral had placed on his car was incorrect. Mr H felt the market value of his car was worth more than what Admiral had said it was. And, Mr H said that Admiral hadn't taken some key factors into account when arriving at a pre-accident value for his car – these being that the car was silver in colour, and had parking assist, with a rear camera.

Because Mr H was unhappy with the settlement he was being offered, he raised a complaint with Admiral. It responded and maintained its position. Admiral said it had arrived at the pre-accident value based on use of motor trade guides, in line with the terms of Mr H's policy. And it was satisfied the valuation it had arrived at was fair. So, it didn't look to increase this. In addition, Admiral offered Mr H £50 compensation for some communication issues experienced.

As Mr H remained dissatisfied, he referred a complaint to this service for an independent review. This complaint was only in relation to the cash settlement being offered in settlement of his claim.

Our investigator considered Mr H's complaint and didn't think it should be upheld. The investigator said Admiral had acted as per the terms and conditions of Mr H's policy, and had provided a fair and reasonable settlement offer to Mr H. So, she didn't recommend that Admiral do anything more.

Mr H didn't agree with the investigator's outcome. Mr H reiterated that he didn't necessarily think using trade guides to provide a pre-accident value for his car was fair. He questioned the data that sat behind these trade guides – for example, whether the guides used a large enough amount of data, and over what period. And Mr H noted that at the time of his claim there was only a handful of cars, with the specification of his one, available nationally.

In addition to this, Mr H said that a value arrived at by one guide, which I'll call guide one, shouldn't have been discounted from our investigator's considerations.

And lastly, Mr H said that when working out the value of a car, it should be possible to work out a margin for negotiation in an advertised price and arrive at the correct value for a car. Because Mr H didn't agree, this complaint has been referred to me to decide.

I issued a provisional decision on this complaint. In this I said:

"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'm intending on deciding that Admiral's settlement offer is fair. So, I'm intending on requiring Admiral to pay Mr H £6,070.

I appreciate this will be disappointing for Mr H. It's clear he feels strongly about the matter. But I'd like to reassure the parties that I've considered all information provided to be by both parties when coming to my intended decision. However, I've only referred to what I consider necessary to explain my reasoning. This isn't intended as a discourtesy. But is a reflection of the informal nature of this service.

When considering complaints such as this, I need to consider the relevant law, rules and industry guidelines. The relevant rules, set up by the Financial Conduct Authority, say that an insurer must deal with a claim promptly and fairly, and not unreasonably decline it. So, I've thought about whether Admiral acted in line with these requirements when it agreed to settle £6,070 for Mr H's claim.

I've also reviewed the terms and conditions of Mr H's insurance policy, as this is the contract Admiral and Mr H entered into. On doing so, I can see that Mr H's policy explains how a claim will be settled by Admiral. It explains it will either repair a vehicle or provide a cash sum to replace the car.

Mr H's car was declared a total loss. So, it was decided repairing the car wasn't an option for Admiral, and instead it would provide a cash settlement, for Mr H to replace the vehicle.

When providing a cash settlement, the policy explains the following:

*"If **we** give **you** a cash sum, the most **we** will pay is the **market value** of the vehicle..."*

The policy also explains what is meant by market value. It says this is:

*"The cost of replacing **your vehicle**, with one of a similar make, model, 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."*

Given the above, I'm aware that Admiral's cash settlement, offered to Mr H, needed to be based on the cost to replace Mr H's vehicle, immediately before the loss. And it's clear that motor trade guides will be used when making this assessment.

Our service doesn't value cars. Instead, we check to see whether the insurer's valuation is fair and reasonable and in line with the terms and conditions of the policy. So, I've needed to do that in this case.

I've therefore needed to consider whether Admiral's settlement offer was in line with these policy terms.

I understand Mr H has concerns about the use of trade guides. But it's also important to note that it isn't unusual for an insurer to use trade guides when calculating the market value of a vehicle. The trade guides base values on specific information, including the make, model, age, specification, mileage and pre-loss condition of a car. And are based on nationwide research of prices.

So, I usually find this persuasive evidence. And this service considers it reasonable for trade guides to be considered when an insurer values a vehicle, alongside any other information provided to evidence the pre-accident value of a car. Mr H's policy also makes it clear these will be used.

From reviewing the evidence provided to me, I'm aware Admiral used a trade guide, which provided the value £6,420.

I've also re-run the valuation using this trade guide, as well as some additional trade guides. And the following values were provided for Mr H's car:

- *Guide one – £7,218*
- *Guide two – £6,420*
- *Guide three – £5,925.*

When re-running these guides, I ensured the colour of Mr H's vehicle was noted, and where possible (guide two) I also included the additional parking technology Mr H had. So, I'm satisfied the trade guides were provided with the relevant details – including colour, make, model, age, particular specifications, mileage and pre-loss condition of the car. As well as the parking assistance technology on guide two.

I understand Mr H feels the parking technology would increase the value of his car. But, looking at the guide, the additional technology doesn't make a difference to the value arrived at.

Admiral's offer is the middle of the three values provided by the guides. As the value Admiral has arrived at is in line with the range of valuations detailed by the trade guides, I think Admiral took a fair and reasonable approach when coming to its decision on the pre-accident value of the car.

I've also considered whether there is any other persuasive evidence that settling the claim as above leads to an unfair settlement in this case. And I haven't seen any. I've haven't seen persuasive evidence that it isn't possible to purchase the car for £6,420.

I appreciate that Mr H feels the settlement is too low. And I'm aware that he has provided information from a website that advertises cars for sale. I have considered those carefully.

But the cars Mr H has pointed to from that website were either of a different age, or different mileage to Mr H's car. So, I'm not satisfied this information shows that the pre-accident value of his vehicle was more than Admiral has detailed. Or that Mr H wouldn't be able to source the car for that value. So, I don't think Admiral has done anything wrong in this regard. Admiral has offered Mr H £6,420, minus the £350 policy excess. Meaning the settlement provided to Mr H would be £6,070. Looking at the policy documents, I can see the applicable excess is £350. So, I'm satisfied the settlement of £6,070 is a fair and reasonable one."

Admiral didn't respond to the provisional decision. Mr H responded and explained he didn't agree. In summary, Mr H said he didn't feel Admiral taking the middle range of the values from the motor trade guides was appropriate. He felt Admiral should pay the higher of the

values from the motor trade guides. Mr H also reiterated his concerns about the data behind the trade guides.

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 remain satisfied that Admiral's offer is fair. So, I require Admiral to pay Mr H £6,070.

Mr H has reiterated his concerns about the use of trade guides. It's important to note I have considered this point when arriving at my decision. And I addressed this point in more detail in my provisional findings – which can be found above.

But this service does consider it reasonable for trade guides to be considered when an insurer, such as Admiral, values a car – alongside any other information provided to evidence the pre-accident value. And Mr H's policy is clear that trade guides will be used – which isn't unusual. So, my decision on the use of trade guides here remains unchanged. Trade guides aren't an exact science - but are based on nationwide research of selling prices. So, as mentioned previously, I do find the information they provide persuasive evidence in respect of vehicle valuation. And I find it reasonable for Admiral to provide a settlement within the range of those guides.

I understand Mr H now feels Admiral should value his vehicle at £7,218, given that is the highest figure that comes out from the guides. But to find Admiral should increase its offer to this, I'd have to be satisfied it wouldn't be possible for Mr H to replace his car for the £6,420 (minus the excess) offered. And I'm not satisfied that's the case. I haven't seen any firm evidence it wouldn't be possible to purchase the car for the amount Admiral has offered. So, I'm not requiring it to increase its offer.

As there hasn't been any further comments or evidence from either party, to alter my findings on this complaint, or the reasoning for it, my decision remains the same as that in my provisional decision. And for the same reasons.

My final decision

Given the above, my final decision is that I consider Admiral Insurance (Gibraltar) Limited's settlement offer of £6,070 to be fair and reasonable. So, I require Admiral to pay this to Mr H, if it hasn't done so already.

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

Rachel Woods
Ombudsman