DRN-4415076

The complaint

Mr A complains Admiral Insurance (Gibraltar) Limited hasn't offered a fair value for his car following its theft.

What happened

The details of the claim are well known to both parties, so I won't repeat them again here. Instead, I'll summarise the background and focus on the reasons for my decision.

Mr A insured his car with Admiral under a motor insurance policy.

In June 2023, Mr A's car was stolen. Admiral offered £5,956.50 to settle the claim, less any deductibles such as Mr A's excess. The amount offered was calculated as £6,785 for the market value with 10% of the value deducted as Mr A's car didn't have a valid MOT at the time it was stolen.

Mr A wasn't happy, so he complained but Admiral didn't change its decision.

Mr A brought his complaint to our service for an independent review. He said he couldn't replace his vehicle like for like with the amount Admiral offered and sent adverts to this service for similar cars including those with a higher mileage which supported this.

An Investigator at this service looked into matters and issued a view Admiral needed to pay more to Mr A – a further £3,783.15 plus interest. This is because they ran their own valuations using the motor trade guides, based on the more likely mileage of Mr A's car, which gave four further valuations. Of those valuations, there were two at the higher end and two at the lower end. Due to the difference between the spread of the two sets of valuations, the Investigator found the higher values were more likely to be indicative of a fair market value. This is because the adverts sent to this service by Mr A and those referred to in one of the guides supported the higher end. So, they recommended Admiral pay an average of the two valuations at the higher end, £9,794.50. The Investigator considered a deduction of the cost of a MOT, £54.85, was fair and reasonable reducing the market value to £9,739.65.

Mr A accepted the recommendation. Admiral agreed it used the wrong mileage but didn't agree with the Investigators method of calculating a fair value. Instead, it offered to pay an average of the four guides. It considered the deduction of 10% for no MOT was fair and referred to policy terms which it said Mr A had breached.

As an agreement couldn't be reached, the matter was passed to me for a 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.

Having done so, I'm upholding Mr A's complaint. I'll explain why.

It is my role is to decide whether Admiral has applied the policy terms and conditions when reaching its market value and whether it has done so in a fair and reasonable way. Based on what I've seen, I don't think it has.

Where a car has been damaged, it's usual for the insurer to pay the consumer the market value of the vehicle immediately before the loss. This is what Mr A's policy provides. It defines the market value as follows.

> '*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.*'

This means Admiral will pay the value of the car immediately before the accident which, here, it determined to be £5,956.50. Admiral referred to two trade guides and made an offer to Mr A of the average although, since the matter has been viewed by the Investigator, it has realised a mistake was made in the mileage it used for those valuations.

We use the same trade guides – in addition to two others - to help decide if a settlement offer is fair when valuing second-hand vehicles. In the absence of other evidence, we may find these guides to be persuasive evidence of market value as their valuations are based on nationwide research of likely sales figures.

The four motor trade guides obtained recently by this service are for cars of the same make, model, age and mileage as Mr A's at the date of loss. These gave valuation figures of £8,475, £8,910, £9,652 and £9,937. I've also seen the adverts for cars similar to Mr A's, both online as well as from one of the motor trade guides, which are in the region of £9,490 (with slightly higher mileage), £10,995, £10,845, £11,490 and £11,499.

In light of this, I don't consider Admiral has demonstrated it has acted fairly in reaching the value it has. I say this because I'm more persuaded an average of the two higher guides (£9,794.50) is a fairer reflection of market value than the offer made by Admiral. This is because I'm satisfied this is more comparable with the price of similar vehicles on sale in July (the date adverts were sent to this service by Mr A) and, more recently, from the trade guide which lists them. And I note Admiral hasn't provided evidence to challenge this. Taking all the above into account, I'm satisfied the valuation reached by the Investigator of £9,794.50 is a fair reflection of market value at the time directly before the loss.

I've then considered the deduction for the MOT. Admiral says it could've repudiated the contract because of Mr A's breach of the policy terms. As it didn't, a deduction of 10% is fair in as this represents the reduced value of the vehicle. But I don't see things the same. Admiral didn't repudiate the contract. Instead, it accepted the claim and paid what it considered the market value to be to Mr A, thus affirming the contract. Having done so, I agree an appropriate deduction for the lack of MOT can be made. However, whilst I take into account the policy terms, I don't consider it's fair and reasonable to say a breach of them – which B has chosen not to act on – should be used to reduce the value of the car by a set percentage which equates to a substantial reduction in the settlement sum. Further, no evidence has been provided to demonstrate why 10% is a fair and reasonable deduction to make. So, taking everything into account, I consider it's fair to deduct the cost of an MOT (£54.85).

In summary, I'm not satisfied Admiral's offer for the market value of Mr A's car was fair according to the terms and conditions of the policy. It now needs to put things right.

Putting things right

Admiral Insurance (Gibraltar) Limited must pay Mr A the following.

1. The difference between:

   a. £5,956.50 being the amount it valued his car at (£6,785) less 10% for the lack of MOT; and
   b. £9,739.65 which is the average of the two higher guides (£9,794.50) less the cost of an MOT £54.85.

   I calculate this to be a further payment due from Admiral Insurance (Gibraltar) Limited to Mr A of £3,783.15.

2. 8% simple interest on the above amount payable one month from the date the claim was made up to the date of actual payment (making an appropriate reduction for any interim payments made, on the date they were made).

My final decision

For the reasons set out above, my final decision is I uphold this complaint. Admiral Insurance (Gibraltar) Limited needs to do the things set out above to put things right.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr A to accept or reject my decision before 7 December 2023.

Rebecca Ellis
Ombudsman