

The complaint

Mr H complains about the level of service provided by Admiral Insurance (Gibraltar) Limited after he made a claim on his motor insurance policy and its valuation of his car.

What happened

Mr H's car was deemed to be a total loss after an incident. Mr H wanted to retain the car, so Admiral deducted the salvage value from its settlement. But Mr H was unhappy with Admiral's level of service and the time it took to deal with his claim. Admiral offered Mr H £250 compensation for its poor service and £910 for loss of use. But Mr H thought it should have taken account of the car's modifications in its valuation.

Our Investigator recommended that the complaint should be upheld. He found two valuations for the car in the motor trade guides we use. He couldn't see that the car's optional extras increased the valuations. But he thought that as the car's bodykit had been added when it was new, then it should be included as an optional extra. He relied on a dealership's opinion that this kit was rare and would increase the car's valuation to £33,500. So he thought Admiral should recalculate the salvage deduction and then add interest to the difference in settlement. But he thought Admiral's compensation offers were fair.

Mr H accepted this. But Admiral disagreed. It said the dealership's valuation wasn't based on the motor trade guides which it had used to provide a valuation.

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 agreed that its level of service had been wanting and it had caused delays in the claim so that Mr H was without a car for three months. It paid Mr H £250 compensation for his trouble and upset and £910 compensation for his loss of use. Mr H has accepted this, and I think it's fair and reasonable compensation for the impact of its errors, so I won't consider this further here.

Admiral thought Mr H's car had modifications and these weren't covered by his policy. It relied on the following terms and conditions to say that it would only cover standard parts:

"Page 10 - Your Car Insurance Guide Section 2: Damage to your vehicle (cont.)

4. We will not pay:

- To replace or repair any modifications. Please read in conjunction with General condition 12*

Page 24 - General conditions (cont.)

12. Standard parts replacement - Your policy does not cover modifications. If you make a claim for loss or damage to your vehicle, provided it is economical to do so, we will only pay the cost of replacing parts needed for your vehicle to meet the manufacturer's specification along with any optional extras and/or disability adaptations you have declared.

Manufacturer's optional extras and disability adaptations are only covered if they have been declared and we agreed to cover them."

Mr H provided evidence from the car's original dealer that the car was fitted with the bodykit by the manufacturer as an optional extra. So I'm not satisfied that it was fair and reasonable for Admiral to decide that the bodykit was a modification and so not covered by the policy.

And I can see that Mr H's policy schedule includes: "*Bodykit (non standard), Windows - tinted < 30%*". So I think Mr H declared the optional extras and Admiral agreed to cover them.

But Admiral said the optional extras didn't add to the car's market value at its date of loss. It offered Mr H £25,835, less deductions for the policy excess and salvage in its settlement of his claim.

In most cases, we assess the market value as the price which the consumer would have had to pay for a comparable vehicle across the various markets, immediately before the time of the damage or loss.

This could be slightly less than advertised retail prices, although this will depend on the most likely market for the particular age and model of vehicle. Because of recent changes in the market, we are increasingly hearing of cars selling either for or close to their advertised price.

Assessing the value of a used vehicle isn't an exact science. We generally find the valuations given in motor-trade guides most persuasive. These guides are based on extensive nationwide research of likely selling prices. We also take all other available evidence into account, for example, engineer's reports, advertised prices and independent valuations.

Our Investigator checked the motor trade guides we use and found valuations for the car in two of these with an average of £26,002.50, which was within the range of Admiral's valuation.

He found that the optional extras didn't increase the valuations. But these optional extras didn't include the bodykit which Mr H provided evidence to show had cost £13,500 originally. Mr H said his car was rare, and I'm satisfied this was confirmed by the dealer's garage and that only one other has been recently advertised for sale.

So I think it's fair and reasonable to consider the advertised price and the dealer's valuation in coming to an estimate of the car's current market value. The advertised price was £35,995, but this would include a premium for negotiation. The dealer's estimate was £33,500 and it said the car's optional extra was rare and it would enhance the car's value. And so I'm satisfied that £33,500 is a fair and reasonable assessment of the car's market value at the date of its loss.

Admiral's valuation was less than this amount, and so I think it should now increase it to £33,500. And, as Mr H retained the car's salvage, it should recalculate the salvage value and the settlement. Mr H has been without his money for some time. So I think Admiral should reasonably add interest to the difference in amounts.

Putting things right

I require Admiral Insurance (Gibraltar) Limited to increase the valuation of Mr H's car to £33,500, recalculate the salvage value, apply this to the settlement and pay Mr H the difference. Interest should be added to this amount at the rate of 8% simple per annum from the date of the initial settlement to the date of payment.

If Admiral considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr H how much it's taken off. It should also give Mr H 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 H to accept or reject my decision before 11 December 2023.

Phillip Berechree
Ombudsman