

The complaint

Mr P complains Admiral Insurance (Gibraltar) Limited offered an unreasonable settlement for his motor insurance claim.

What happened

Mr P's van was stolen. He claimed against his Admiral motor insurance policy. After becoming frustrated with how it was handling his claim he made a complaint. He wasn't happy with the market value Admiral was basing its settlement offer on, it not paying for aftermarket items and unreasonable delay.

Admiral issued a complaint response in March 2023. It accepted it had caused delays. It offered Mr P £500 compensation for the related distress and inconvenience. It didn't accept the settlement was based on an incorrect valuation of Mr P's vehicle. In April 2023 Admiral provided a further complaint response. It offered Mr P a further £75 compensation to apologise for some poor administration.

Mr P wasn't satisfied so came to this service. He says Admiral has caused him to be £16,000 in debt through its delay and low settlement offer. This mainly consists of a hire van to enable him to continue working. To resolve his complaint he asked Admiral to cover those losses. He wants it to settle his claim on a market value of £19-20,000, accept his claims for after-market and personal items and pay him additional compensation.

Our Investigator recommended Admiral base the settlement on a market value of £18,568 (including VAT) rather than its figure of £13,866. He didn't ask it to cover aftermarket or personal items. The Investigator wasn't persuaded by Mr P's evidence that Admiral should reimburse his van hire costs. Finally he said Admiral should pay an additional £275 compensation (making a total of £850).

Mr P accepted that assessment, but Admiral didn't. It offered a settlement based on a valuation of £17,056 and an additional £150 compensation. As the complaint wasn't resolved it was 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.

Mr P accepted the Investigator's assessment of his complaint. Neither he nor Admiral disputed his findings on the after-market, personal items and hire cost complaint points. As those issues are settled, I've only considered the market value and additional compensation points disputed by Admiral.

Mr P's entitled to have an amount for VAT included in his vehicle's valuation. For simplicity I've used valuation figures inclusive of the tax. Admiral's final settlement, before he came to this service, was based on a valuation of £13,866.

Mr P's policy provides for a cash sum to replace a total loss vehicle. The terms say the most Admiral will pay is its market value. That's defined as the cost of replacing it with one of a similar make, model, year, mileage and condition based on market prices immediately before the loss had happened. It says the value is based on research from industry recognised motor trade guides.

Our Investigator found Admiral's valuation had been produced using incorrect mileage for Mr P's vehicle – 103,000 against the actual of 82,800. He checked three recognised trade guides using the lower mileage. That was based on a mileage recorded in a MOT a few days before the loss. Admiral now agree it's a fairer mileage to use.

These valuations were given - A) £18,771, B) £14,034 and C) £18,580. Following the Investigator's assessment Admiral accepted the valuation needs to be higher – but it objected to the Investigator's disregard of B as an outlier. Admiral says B is from an established valuation tool that extracts data from actual selling prices. So it made a counteroffer based on the average of A, B and C.

But I agree with the Investigator. B's valuation is significantly out of line when compared to A and C. Adverts provided by Mr P support it being too low. So it seems likely A and C represent a fairer reflection of the market.

The Investigator recommended a fair market value to be an average of A and C. I agree with that approach. So Admiral will need to settle Mr P's claim based on a market value of £18,675 – which as I said is inclusive of VAT.

Admiral's already paid a settlement based on its own low valuation. So it will need to pay the difference between that, and one based on a market value of £18,675. If it feels its required to clear any outstanding finance, it should do that first. Anything remaining should be paid to Mr P. To recognise him being unfairly without those funds it should add simple interest at 8% to what it pays him – applied from the date it paid the initial settlement to the date of final settlement.

Our Investigator recommended Admiral pay £275 compensation in addition to the £575 already offered. A total of £850. Admiral didn't accept that. It accepted issues with its handling of the claim. But felt an additional £150 (£725 total) would be more appropriate.

I agree with the Investigator's proposal. Admiral initially offered an even lower settlement. It then continued with its low settlement offer for some time. This was significantly below a fair market value. The van was mainly used by Mr P for employment purposes. He hasn't been able to provide reasonable evidence of additional costs incurred because of Admiral's poor handling of the claim. But I accept being without his own van or adequate funds to replace it had an impact on his working life across an extended period.

I'm also satisfied from Mr P's testimony that Admiral's poor handling of the claim has caused him personal distress and inconvenience over many months. So I'm satisfied a total of £850 compensation is fair and reasonable in the circumstances.

My final decision

For the reasons given above, Admiral Insurance (Gibraltar) Limited needs to:

- settle Mr P's claim based on a market value of £18,675 – adding simple interest to any additional amount paid to him (as set out above) and
- pay him a total of £850 compensation (including any payments already made).

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

Daniel Martin
Ombudsman