

## The complaint

Mrs S complains about the settlement payment Admiral Insurance (Gibraltar) Limited (Admiral) offered when her car was categorised a total loss due to flood damage, under her motor insurance policy.

## What happened

Mrs S's car became stuck in a flood during September 2022. She made a claim to Admiral. It assessed the damage, determined the car was a total loss and offered a settlement payment for £11,200. Mrs S says she couldn't buy a replacement similar to her damaged car for this amount. She also says she had to chase Admiral constantly to progress her claim. She had to borrow money to buy a lesser specification, higher mileage replacement car because of the low settlement payment provided.

In its complaint response Admiral says it based its settlement offer on two of the industry trade guides. The higher of the values obtained was paid to Mrs S. It says it handled the claim within its expected timeframes, and within nine days of the flood incident. Admiral didn't think it had done anything wrong regarding Mrs S's claim. But it did pay £25 compensation for a delay in its complaint response.

Mrs S disagreed with this outcome and referred the matter to our service. Our investigator didn't uphold her complaint. She says the approach taken by Admiral to value Mrs S's car was reasonable and in line with the approach our service expects it to take. Mrs S thought this was unfair and asked for an ombudsman to consider her complaint.

It has been passed to me to decide.

I issued a provisional decision in October 2023 explaining that I was intending to uphold Mrs S's complaint. Here's what I said:

### *provisional findings*

*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 my intention is to uphold Mrs S's complaint. Let me explain.*

*There's no dispute that Mrs S's car was a total loss after it was damaged by a flood. Flood damage is covered by her policy, so I needn't consider this point further. What I've looked at is how Admiral settled the claim.*

*Mrs S says that Admiral's valuation of her car was too low based on advertised for sale prices she'd seen. She says she wasn't able to buy a like-for-like replacement car and had to settle for a lesser model with higher mileage. She says this still cost more than the settlement payment Admiral provided.*

*I understand Mrs S wanted the best offer she could get following the total loss decision. But*

having read her policy terms, the policy provides the market value in the case of a total loss. This is defined in the policy booklet 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."*

We don't provide valuations for vehicles but rather we look to see whether the insurer's offer is reasonable. In assessing whether a reasonable offer has been made, we obtain valuations from the motor trade guides.

These guides are used for valuing second-hand vehicles. We find these guides to be persuasive because their valuations are based on nationwide research and likely sales figures. The guides also consider regional variations. We also take all other available evidence into account, for example, engineer's reports.

Our investigator thought Admiral's settlement offer was fair and reasonable. I've checked how she arrived at this conclusion. I can see she looked at the trade guide valuation information Admiral provided. It used the correct make, model, age, and mileage for Mrs S's car. It provided two valuations. The lower of the two used the correct loss dated in September 2022. The higher of the two used a valuation date in November.

We'd usually expect the valuation to be based at the date of the loss. In this case the loss occurred in September. However, Admiral used the higher valuation for its settlement payment, which was £11,200.

I obtained two further valuations from the remaining trade guides we use. The valuations were for £11,693 and £12,332.

Valuing second-hand vehicles isn't an exact science so I'd expect there to be a range of values where different trade guides are used. However, there is a significant difference between Admiral's settlement offer and the higher of the trade guide valuations I obtained. I've thought about what other evidence is available to determine what a fair market value is for Mrs S's car.

I've looked at the adverts Mrs S provided, showing similar cars for sale. This includes two cars of a similar model, age, and specification to the damaged car, albeit one has a larger engine. These cars are advertised for sale at £12,499 and £12,825. Mrs S supplied another advert for a car registered two years after hers and the mileage isn't shown. I've not taken this into account here given the different age and lack of mileage information.

Given the wide range in trade guide valuations, I'm not satisfied that Admiral has offered a fair market value. Its offer is at the low end of the valuation range. I'm not satisfied it's been shown Mrs S's car reasonably sits at the lower end of this range. Rather the evidence indicates the higher of the values is a fairer estimate.

Having considered all the evidence, I'm more persuaded that a fair market value for Mrs S's car is at the higher end of the trade guide valuations I've seen. Advantage offered £11,200. But I don't think this fairly reflects the market value of Mrs S's car at the time of her loss. To put this right it should pay her a total of £12,332 plus 8% interest on the shortfall between this and its lower offer. It should calculate this from the date it made its offer until payment is made.

I've thought about Mrs S's comments that she had to chase Admiral constantly to progress

*her claim. I've read the claim notes and the copy correspondence provided. Based on this information Mrs S raised her claim on 6 September 2022. Admiral offered a settlement payment on 14 September. The records show a payment was made the following day.*

*I'm sorry Mrs S's car was damaged by the flood she experienced. This must've been a very distressing situation for her. In these circumstances we expect an insurer to handle a claim effectively to avoid unnecessary delay, causing inconvenience and distress. Based on the evidence I've seen the claim was handled effectively by Admiral. Mrs S's vehicle had to be assessed, the claim validated, and the market value of the car had to be calculated. I acknowledge Mrs S's comments about the time taken by Admiral here. But I don't think it took an excessive time to settle her claim or that Admiral provided a poor standard of service.*

*In summary I don't think Admiral treated Mrs S fairly in the settlement payment it offered. It should pay her a total of £12,332 to settle the claim plus 8% simple interest on the delayed part of the payment. But I think it did treat her fairly in the standard of service it provided when handling her claim.*

I said I was intending to uphold this complaint and Admiral should:

- pay Mrs S a total of £12,332 in settlement of her claim; and
- pay 8% simple interest on the difference between its original offer and the final valuation, calculated from the date it confirmed its settlement payment until the final payment is made.

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

Mrs S responded to say that she accepted my provisional findings.

Admiral responded to say it didn't agree that it should pay the higher of the industry guide valuations as stated in my provisional decision. It says adverts are not a fair reflection of actual selling prices. It says this is why it uses the two trade guides highlighted in its complaint response. Admiral says a fairer outcome would be to use the average of its valuations and those I obtained. It says this comes to £11,431.

### **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 not persuaded by Admiral's further comments to change my provisional findings.

As discussed in my provisional decision we use the industry trade guides, in conjunction with all other available information when considering if an insurer has paid a fair settlement. Mrs S provided examples of cars for sale that were similar to her car. These adverts support the value of her car being at the high end of the valuations obtained from the trade guides.

I've thought about Admiral's suggestion that an average of the trade guides would represent a fair settlement figure. But I don't agree. A range of values were obtained using four of the trade guides. The adverts showing similar cars priced above the highest of the trade guide valuations. So, I think the higher of the trade guide valuations is representative of a fair market value here.

## **My final decision**

For the reasons I've explained above, and in my provisional decision, I uphold Mrs S's complaint. Admiral Insurance (Gibraltar) Limited should:

- pay Mrs S a total of £12,332 in settlement of her claim; and
- pay 8% simple interest on the difference between its original offer and the final valuation, calculated from the date it confirmed its settlement payment until the final payment is made.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 26 December 2023.

Mike Waldron  
**Ombudsman**