

The complaint

Mr K complains Admiral Insurance (Gibraltar) Limited (Admiral) unfairly settled his claim after his car was classed as a total loss.

Admiral are the underwriters of this policy i.e. the insurer. Part of this complaint concerns the actions of the intermediary. As Admiral have accepted it is accountable for the actions of the intermediary, in my decision, any reference to Admiral includes the actions of the intermediary.

What happened

Mr K made a claim on his motor insurance policy after his car was damaged in an incident.

Admiral's engineer inspected the car, and it was deemed beyond economical repair and therefore was classed as a total loss. Admiral made Mr K a settlement offer of £22,935 less the policy excess.

Mr K was not happy with the settlement amount. He said the car had expensive additional options on it and he felt it was worth a lot more than Admiral's settlement offer.

Because Mr K was not happy with Admiral, he brought the complaint to our service.

Our investigator upheld the complaint. They looked into the case and said Admiral should increase its settlement offer to £25,172 which was the highest of the four valuations they had obtained. They said 8% simple interest should also be added from the date the initial settlement amount was paid to the date of final settlement.

As Mr K is unhappy with our investigator's view the complaint has been brought to me for a final decision to be made.

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.

In this case I have considered whether Admiral acted fairly and reasonably in reaching its decision as to the level of settlement offered to Mr K following the write-off of his car.

My role is not to provide an exact valuation but to make a judgment as to whether the offer of settlement is fair.

I firstly looked at the details within Mr K's motor insurance policy with Admiral. On page four of the booklet are definitions of terms used within the policy. It says;

"Market Value – 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 or damage happened."

Although this service doesn't value vehicles, we do check that the insurer's valuation is fair and reasonable and in line with the terms and conditions of the policy. We use trade guides to do this, and they're based on nationwide research of likely selling prices and take the car's specifications, mileage etc into account.

This service doesn't consider the question of market value to be an exact science, however our general approach is that the valuations given in the main motor trade guides provide the most persuasive and consistent evidence. These guides are based on extensive nationwide research of likely (but not actual) selling prices.

I looked at the information Admiral used when calculating the market value for Mr K's car. I saw it obtained valuations from two of the main trade guides. In this case Admiral offered £22,935 which is the average of these two guides.

I looked at the valuations our investigator obtained. They used four of the main trade guides, of which two were the same as used by Admiral. The highest of these four valuations was £25,172 and the lowest was £22,250.

Prices of used cars can change on a regular basis. This could be an increase or decrease. This is the reason why we take the approach that if Admiral can demonstrate, that it used a fair process to value the car then we wouldn't interfere with the offer it has made.

Based on the valuations our investigator obtained, I do not think the settlement amount paid for Mr K's car is fair in this case, because it is close to the lowest valuation. The trade valuations have shown a range of values and I think going by the highest will ensure Mr K has received a fair offer, allowing him to replace his car with one of a similar make, model and specification.

Admiral did not evidence why its lower valuation was the most likely market value. It accepted the increase suggested by our investigator.

I saw Mr K had undertaken research on cars that were advertised for sale and provided a list of these, which included some cars for sale for more than the settlement offered.

I understand Mr K thinks the valuation should be in excess of £27,000 as the car included some extras. However I am satisfied that the highest trade valuation obtained is in line with the list of advertised sales prices and that it is a fair market value settlement offer.

Therefore, I uphold Mr K's complaint and require Admiral to increase its settlement offer to £25,172. It should also add 8% simple interest from the date the initial settlement amount was paid to the date of final settlement.

Mr K said he is incurring interest at 12% on remaining finance for the car. Any finance arrangement is between Mr K and the finance provider. It is separate to the motor insurance cover provided and I cannot ask Admiral to contribute towards any finance costs.

My final decision

For the reasons I have given I uphold this complaint.

I require Admiral Insurance (Gibraltar) Limited to increase the settlement offer for Mr K's car to £25,172. This means an amount of £2,237 should be paid. It should pay 8% simple interest on this amount from the date the initial settlement was paid to the date of final settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 16 April 2024.

Sally-Ann Harding
Ombudsman