DRN-4641523

The complaint

Mr J complains Admiral Insurance (Gibraltar) Limited's offered an unfair settlement to his motor insurance claim.

What happened

In October 2023 Mr J's car was damaged. His motor insurer, Admiral, considered it a total loss. It offered a cash settlement based on a market value of £6,087. It then applied a £350 policy excess deduction. Mr J declined the offer. He considered it not enough to allow him to find a replacement of the same make, model and specification. After some back-and-forth Mr J complained about the offer.

Admiral issued a complaint response. It said its settlement offer represents a fair market value. It explained the market value had been based on the highest of two trade guide values. So it didn't increase its offer. Mr J wasn't satisfied with Admiral's response, so came to the Financial Ombudsman Service. He wants Admiral to increase its settlement offer by £1,500 to £2,000.

Our Investigator felt Admiral's settlement offer fairly reflected the market value of Mr J's vehicle. She found it to be in line with a narrow range of valuations from four motor trade guides. She wasn't persuaded by Mr J's evidence, including several adverts, that a higher settlement would be the fair outcome. As he didn't accept that outcome the complaint was passed to me to decide.

I issued a provisional decision. Its reasoning forms part of this final decision, so I've copied it in below. In it explain why I intended to require Admiral to settle Mr J's claim based on a market value of £6,300. I also invited both to provide any further evidence or comments they would like me to consider before issuing this final decision.

> ***what I've provisionally 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.*
>
> *As this is an informal service I'm not going to respond here to every point or piece of evidence Mr J and Admiral have provided. Instead I've focused on those I consider to be key or central to the issue. But I would like to reassure both that I have considered everything submitted.*
>
> *Mr J's policy covers his car against loss or damage caused by an accident. The policy says Admiral, if it chooses to cash settle the claim, will not pay more than the market value of the vehicle. Market value is defined by the policy as the cost of replacing the car with one of a similar make, model, year, mileage and condition based on the market prices immediately before the loss happened.*
>
> *So I've considered if Admiral's offer to settle Mr J's claim is fair and in line with these terms. When looking into these types of complaints we check trade guides, adverts*

and other relevant evidence. We consider whether the insurer has made a reasonable offer in line with the evidence. We generally find the guides persuasive as they're based on nationwide research of likely selling prices, so they can be more reliable than individual adverts. But as I've said we do consider other evidence.

I've considered valuations provided to this service by four trade guides. These were the for specific model and specification of Mr J's car – using appropriate mileage of around 122,000. They are £6,050, £6,095, £6,208 and £6,300.

Where an insurer's offer is based on a market value that's lower than the highest value given by the guides, I need to be satisfied its fair. When the range of the valuations is reasonably narrow the risk of detriment to the policyholder is reduced by the consistency of the guides. So I might accept an offer, below the highest, to be fair.

That might be the case where an insurer's market value reflects the second highest valuation and is higher than the average of all. But that isn't the case here. And Admiral hasn't provided any persuasive evidence to support an offer below the highest guide. So, taking all that into account, I think the fair outcome is to settle the claim based on the highest value provided by the guides - £6,300.

However, Mr J feels a market value closer to £8,000 would be the fair outcome. I've considered everything he provided in support – including adverts and comments.

The adverts are for the same make and model of car. Some are for the same specification – I'll refer to that specification as 'ED'. He says this is an important consideration as its lower road tax makes it more desirable. So I've placed most weight on the adverts for 'ED' models. These are:

- *A. £6,995 - 119,500 miles - 2014*
- *B. £7,995 - 96,000 miles - 2013*
- *C. £13,600 - 91,000 miles - 2013*
- *D. £7,995 – 90,000 miles – 2013*

Mr J's car was a 2013 model with around 122,000 miles on the clock.

C's price is significantly higher than the others. It's not clear why. So I've disregarded it. D and B are both in the £8,000 range Mr J is asking for. They are the same year as his car. But importantly both have significantly lower mileage. So, for me, they don't support his position.

A is a year newer than Mr J's car – but has similar mileage. So it does provide some support for a higher value. But that single example isn't enough to persuade me that £6,300 isn't a fair market value.

I've considered the importance Mr J places on a vehicle having a full-service history. I accept one can increase the desirability of individual vehicles. Mr J says his car had a full-service history. But I'm not persuaded that increases the value above the highest of the trade guides. Instead a failure to appropriately maintain a vehicle may result in its value being below a trade guide price.

So I intend to require Admiral to settle the claim based on a market value of £6,300. It will need to pay the shortfall between the interim offer and the new settlement to Mr J. As he's unfairly been without those funds it will need to add simple interest at 8% from the date of the interim payment to the date of settlement.

I'm not going to require Admiral to pay any compensation for distress and inconvenience or loss of use of a vehicle. Its interim offer is only short of a fair settlement by a relatively small amount. So Mr J's experience of, and dissatisfaction with, the claim would likely have been very similar even if Admiral had based its settlement on my proposed fair market value.

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.

Neither Mr J or Admiral provided any new evidence or comments. So I haven't been provided with any reason to change the outcome I set out in the provisional decision.

As a result I require Admiral to settle the claim based on a market value of £6,300. It will need to pay Mr J the shortfall between the interim offer and the new settlement. As he's unfairly been without those funds it will need to add simple interest at 8% from the date of the interim payment to the date of settlement.

My final decision

For the reasons given above, I require Admiral Insurance (Gibraltar) Limited to settle Mr J's claim based on a market value of £6,300 – adding simple interest, at 8%, to the shortfall payment as set out above*.

*If Admiral considers it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr J how much it's taken off. It should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 18 April 2024.

Daniel Martin
Ombudsman