DRN-4672202

The complaint

Mr D complains about how Admiral Insurance (Gibraltar) Limited handled the claim he made on his car insurance policy and the market value applied to his car.

What happened

In September 2023, Mr D's car was damaged in accident, so he called Admiral to claim on his car insurance policy.

Admiral said his car would be deemed a 'total loss'. Admiral valued Mr D's car using two motor valuation guides (£15,130 and £17,050) and an engineer's report which based the valuation on the average of the values given by the two guides. It then offered Mr D the value from the engineer's report which was £16,113.

Mr D didn't think this was enough and complained. Admiral reviewed the complaint but didn't change its offer. Mr D was unhappy with this, and that Admiral closed his complaint in a few hours showing it doesn't take them seriously. So, he referred his complaint to this Service for an independent review.

Mr D says the valuation for his car should be increased to £24,000. Plus, his car has a certain benefit which makes it considerably more valuable (the Benefit). Mr D also asks for £1,500 for the financial losses he's incurred as he wasn't given a hire car because, although he had another car in the household, this was being sold at the time.

An Investigator reviewed the complaint and found the further valuation guides we use produced valuations higher than Admiral's (£22,283 and £22,509). The Investigator also said the adverts Mr D had provided for cars like his were around £18,500 - £29,999, including cars with the Benefit. Because of this, they recommended Admiral pay the highest value produced by the valuation guides of £22,509 plus interest.

Admiral didn't agree and asked for an Ombudsman's decision. It said the offer at the lower end of the valuations was supported by expert evidence so it should be enough to support the value it'd offered. However, it did offer to pay Mr D the average of all four guides. Further it doesn't agree adverts are a fair reflection of the actual selling price.

As Admiral didn't agree with the Investigators recommendation the complaint has come 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.

Having done so, I'm upholding Mr D's complaint. I'll explain why.

It’s my role is to decide whether Admiral has applied the policy terms and conditions when reaching its market value and whether it has done so in a fair and reasonable way. Based on what I’ve seen, I don’t think it has.

Where a car has been written off as a result of an accident, it’s usual for the insurer to pay the consumer the market value of the car immediately before the accident. This is what Mr D’s policy provides. It defines the market value as follows:

> ‘*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.*’

This means Admiral will pay the value of the car immediately before the accident which, here, it determined to be £16,113.

We use the same industry recognised valuation guides as Admiral – in addition to two others - to help decide if a settlement offer is fair when valuing second-hand vehicles. Determining the market value of a car isn’t an exact science but, by using all four guides, we’re satisfied this gives the best picture of the value of a consumer’s vehicle.

Having looked at these guides for Mr D’s car, I can see all four guides gave a value (£15,130, £17,050, £22,283, £22,509).

The valuation offered by Admiral is lower than the amount the Investigator has suggested it should pay, which is based on the value provided by the highest guide. In this situation, Admiral must show its offer represents a fair valuation at the time of loss. I’m not persuaded it has. Admiral’s offer sits at the lower end of the range, it’s under the average and it’s less than three of the valuations provided by the guides. Admiral sent this service an independent engineers report but it reached its valuation by reference to the average of the two lowest guides available. So, I don’t find the report persuasive evidence the offer made to Mr D was a fair reflection of market value at the date of loss taking the other guides and evidence into account.

I say this also in light of the advert evidence provided by Mr D and one of the guides showing cars advertised at the time of loss. The adverts vary in price from £16,300 to £29,999 and include cars which are older than Mr D’s, have a range in mileage and three with the Benefit. Notwithstanding this variety, the starting point of this range is higher than Admiral’s offer.

Having carefully considered the adverts from Mr D which are closest to his car and the guide adverts, I’m satisfied this is relevant and persuasive evidence the highest value from the guides (£22,509) is a fair representation of the market value at the date of loss in this matter.

I recognise Mr D says his car should have an even greater value due to the Benefit. But I’m not satisfied I’ve been given persuasive evidence the Benefit affects the value of a car like Mr D’s or, even if it does, that the value of £22,509 is unfair in this particular matter.

Therefore, I’ve considered all the evidence provided – including the guides obtained by our service and Admiral as well as the engineers report and numerous adverts - and find the Investigator’s recommendation to be one which is fair and reasonable in all the circumstances. By using the highest of the available guides as a starting point, I’m satisfied Mr D is being given the best chance of replacing his vehicle with ‘*one of a similar make, model, year, mileage and condition based on market prices immediately before the loss* *happened*' in accordance with the policy terms. As a result, Admiral now needs to put things right by taking the steps outlined below.

I recognise Mr D is unhappy with how Admiral handled his complaint. But I don't agree Admiral did anything wrong by closing his complaint soon after it'd given him an answer on it. It follows I can't fairly and reasonably recommend Admiral compensate Mr D. This decision focuses solely on the value Admiral gave to his car when writing it off. If Mr D is unhappy with other matters, such as any entitlement to a hire car, this will need to be raised separately with the appropriate business, giving it the opportunity to resolve matters in the first instance.

I note the points Admiral raises about advertised prices. But I don't agree this impacts the market value of Mr D car. I'm not satisfied I've seen evidence Mr D would've been able to successfully negotiate a significant reduction in the advertised price of cars the same as his at the time of loss. Notwithstanding this, four motor trade guides have been used and factor the position of the market at the date of loss into the valuations they give.

Putting things right

To settle the complaint in this matter, Admiral Insurance (Gibraltar) Limited will need to do the following.

1. Pay £6,396 to Mr D, that is, the difference between the market value determined in this matter (£22,509) and amount paid by Admiral (£16,113).
2. Pay 8% simple interest* on £6,396 from the date 30 days after Mr D's claim was made up to the date of actual payment.

My final decision

For the reasons set out above, my final decision is to uphold this complaint against Admiral Insurance (Gibraltar) Limited. It now needs to put things right as set out above.

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

Rebecca Ellis
Ombudsman