

The complaint

Mr S complains about Admiral Insurance (Gibraltar) Limited ("AIL") and the pre-accident valuation of his car after it was deemed a total loss.

What happened

Mr S held a motor insurance policy, underwritten by AIL, when his car was involved in a road traffic accident. Unfortunately, due to the extent of the damage caused, his car was deemed a total loss and AIL paid Mr S a total loss settlement, based on the car's pre-accident value. But Mr S was unhappy with this settlement, as he didn't think it allowed him to purchase a similar car of a similar make and mileage, in the same condition. So, he raised a complaint about this, requesting that the settlement amount be increased.

AIL responded to Mr S' complaint and didn't uphold it. They thought they had valued Mr S' car fairly, in line with standard industry approach using industry trade guides. So, they didn't think they needed to do anything more. Mr S remained unhappy with this response, so he referred his complaint to us.

Our investigator looked into the complaint and upheld it. They thought a fair valuation of Mr S' car was £9,992, which was the highest valuation provided by one of the four trade guides used by our service, and the industry. So, they recommended AIL pay Mr S the difference between their original valuation and this highest valuation, less the applicable excess, alongside 8% simple interest from the date Mr S was paid his initial payment, to the date the additional payment was made.

Neither Mr S nor AIL agreed with this recommendation. Mr S didn't think this increased valuation was enough to recognise the condition of his car, and the money he had spent on it to bring it to that standard. And AIL didn't think it was fair to rely on the highest valuation, instead proposing an average of the three trade guides available be used. Our investigator responded to both parties explaining why they thought their initial recommendation was fair, and in line with our service's most recent approach to complaints of this nature. Neither party agreed and so, the complaint has been passed to me for a decision.

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 the complaint for broadly the same reasons as the investigator.

I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

First, I want to recognise the impact this complaint has had on Mr S. It's clear Mr S feels strongly about the complaint, and the value of his car compared to the settlement amount AIL has paid him following his motor insurance claim. And I do appreciate Mr S would've

taken out the policy with AIL to assist him both practically, and financially, in a situation such as the one he found himself in. So, as Mr S feels he's been left at a financial loss, I can understand why he'd feel unfairly treated and raise a complaint.

I've seen the terms and conditions of the policy Mr S held. And these explain clearly that where a car is deemed a total loss the most they will pay is *"the market value of the vehicle"*. And the policy defines *"market value"* 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"*.

And this way of calculating a car's market value falls in line with our services and industry approach, as motor trade guides are used to ensure fairness and consistency in the way all cars are valued, regardless of the insurer. But crucially, our service would expect an insurer such as AIL to obtain valuations from all four trade guides, where a valuation is available.

In this situation, I can see AIL obtained valuations from two trade guides and used this to calculate an average valuation of £8,397.50. And they used this valuation to calculate Mr S' total loss settlement, once his excess had been deducted, leaving a total payment of £7,997.50. But crucially, during our services investigation, we obtained a third valuation from a different motor trade guide. And this trade guide valued Mr S' car at £9,992.

Our service's most recent approach, which has been in place for some time, is to expect an insurer to pay the highest valuation provided by a trade guide, unless there is persuasive evidence that satisfies us a lower valuation is fair in that specific situation.

In this situation, I note AIL feel the highest valuation is significantly higher than the other two valuations and so, should be discounted. But they haven't provided supportive evidence, such as evidence to show actual sale price of similar cars of a similar make, model and mileage selling consistently for less than the highest valuation supplied. So, without this, I don't think I can be satisfied that there is a persuasive reason as to why the highest valuation obtained shouldn't be used.

Because of this, based on our service's approach and the trade guide valuations obtained, I'm satisfied AIL have acted unfairly when valuing Mr S' car. And so, I've then turned to what I think AIL should do to put things right.

Putting things right

When deciding what AIL should do to put things right, any award or direction I make is intended to place Mr S back in the position he would've been in, had AIL acted fairly in the first place.

In this situation, had AIL acted fairly, I think they would've obtained all the available valuations from all the trade guides, in line with our approach. And I would've expected them to pay the highest valuation supplied by these guides, which in this case is £9,992, less any applicable excess.

So, to place Mr S back in this position, I think AIL should now pay Mr S the difference between their original valuation, and the valuation of £9,992. And I think they should pay Mr S 8% simple interest on this amount, from the date he received the initial total loss settlement payment to the date this difference is paid, to recognise the time he's been without access to these funds.

But crucially, I don't think ALL should be directed to pay any more than this amount. While I have carefully considered Mr S' comments about the condition of his car, the money he spent bringing it to that standard and the adverts he's supplied he feels supports his position of a greater increase, I don't think I can say ALL should do anything more than my direction above.

This is because many of the adverts Mr S provided were for newer cars, or cars with a lower mileage. So, I don't think these persuade me that the valuation of £9,992 is unfair, considering it's been produced by a motor trade guide. And I'm satisfied in all of the valuations obtained, these were generated on the basis Mr S' car was in a good condition at the time of the accident.

And even if I wasn't to say this was the case, our service must take into account that prices listed on advertisements are often inflated to allow room for profit, and negotiation. So, advertised prices are not necessarily reflective of an actual sale price.

I also want to reassure Mr S I've thought carefully about his belief that his car would've likely increased in price, as he felt it was soon to be deemed a classic car. But crucially, Mr S' insurance policy wasn't designed to cover Mr S for this potential increase. The terms and conditions I've referred to above clearly set out that it was designed to pay the market value of Mr S' car at the time of the accident. And I think £9,992 is a fair market value, based on all the evidence and information available to me.

My final decision

For the reasons outlined above, I uphold Mr S' complaint about Admiral Insurance (Gibraltar) Limited and I direct them to take the following action:

- Pay Mr S the remaining settlement he is owed after revaluing his car at £9,992; and
- Pay 8% simple interest on this amount from the date their original settlement payment was made, to the date of the additional payment.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 9 July 2024.

Josh Haskey
Ombudsman