DRN-4914695

The complaint

Mr H is complaining about the amount Admiral Insurance (Gibraltar) Limited (Admiral) have paid to settle a claim he made on his car insurance policy.

What happened

In November 2023 Mr H was involved in a car accident. So he contacted Admiral to make a claim through his car insurance policy. Admiral declared the car a total loss and it said it would settle the claim by paying Mr H the car's market value less the policy excess. It valued the car at £188,742.50.

Mr H didn't agree with the market value and so raised a complaint. Admiral didn't think the market value it had reached was unreasonable. It explained it had used the top book valuations from valuation guides, and an independent assessment which valued Mr H's car for less than the settlement it had offered. It acknowledged there were some delays in the claim and so paid £50 for distress and inconvenience, £30 for loss of use and paid interest on the settlement to Mr H. Mr H didn't think the valuation reached was fair. He also didn't think Admiral had provided a sufficient explanation as to how long new car replacement would have taken.

Our investigator upheld Mr H's complaint. He said that this Service had consulted two further valuation guides that Admiral hadn't taken into consideration. He said that the guide that provided the highest valuation (£213,075) should have been used and Mr H had lost out due to Admiral not taking this into consideration. So he thought Admiral should increase it's valuation to £213,075.

Mr H accepted the investigator's opinion but Admiral disagreed with it. It believed that based on the evidence provided a valuation equal to the average of all valuation guides would be a fairer settlement.

As Admiral didn't agree the complaint has been passed 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.

Admiral has paid Mr H compensation for delays and loss of use as part of his complaint. However Mr H has not raised the issue of delays or loss of use in his complaint to this Service. Therefore my decision will focus on the complaint points Mr H has raised with this Service which are the valuation of his car and the new car replacement. I have dealt with each point individually.

Valuation of Mr H's vehicle

The role of our service isn't to work out exactly what the value of an individual vehicle is. We look at whether the insurer has applied the terms of a policy correctly and valued the vehicle fairly. Under the terms of Mr H's policy, Admiral had to pay the market value of his car minus any policy excess.

The terms of the policy define 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.*'

It is standard practice for the industry to use valuation guides to work out the estimated value of a car, and it's not unreasonable that it does so. The valuation the guides give are based on the advertised prices of similar cars with a similar age and mileage for sale at the time of loss.

Admiral assessed the value of Mr H's car using two valuation guides which produced valuation figures of £188,000 and £151,590 respectively. Admiral believed the lower valuation wasn't accurate and so requested a bespoke valuation from this valuation guide which then returned a valuation of £189,485. They calculated the market value of Mr H's car as the average of these two valuation figures. However this Service consulted two further valuation guides which produced valuation figures of £205,768 and £213,075 respectively.

Where the valuation guides produce a range of values, we'd compare the insurer's valuation against the highest value given by the guides, unless there was something to suggest this isn't a fair reflection of the amount similar cars sell for on the open market.

I think Admiral have made an error by not taking into consideration all of the valuation guides available to it. This has impacted Mr H as the two further guides have given valuations higher than the two guides Admiral used to value Mr H's car.

The highest valuation given by all of the valuation guides was £213,075. And I don't think the evidence Admiral have provided demonstrates that this valuation doesn't give a fair reflection of the market value of Mr H's car. Admiral have said that it arranged for an independent assessor to provide a valuation of Mr H's car. This valuation was £151,590 which it says supports that the settlement it paid was fair. However this valuation is in line with the valuation produced by one of the guides originally which it acknowledged wasn't an accurate reflection of the market value of Mr H's car. Therefore I think the valuation provided by the independent assessor can be disregarded on this occasion.

Admiral have also provided four adverts of similar cars to Mr H's which range in value from £182,940 to £215,000. I don't think these adverts show that the highest valuation given by the guides is an unfair one. Mr H's car is a high end one which includes a large number of customisable options. I think the adverts that Admiral have provided won't necessarily give the most accurate reflection of the market value of Mr H's car. The adverts don't set out whether the vehicles are like-for-like vehicles to Mr H's and I can't verify whether they have the same level of specification as Mr H's vehicle. In any event, the highest valuation given by the guides of £213,075 falls within the range of the prices listed in the adverts Admiral have provided.

In this case I think Admiral should have valued Mr H's car by looking at the highest of all of the valuation guides available and I think Mr H has lost out as a result of the way it valued his car. Admiral haven't demonstrated that the highest guide valuation is an unreasonable one and so the fairest way for Admiral to settle the claim is for it to settle Mr H's claim valuing his car at £213,075.

New car replacement

Mr H's policy includes a section titled, 'New vehicle replacement'. Under this section of the policy if Mr H's vehicle is less than 12 months old and is declared a total loss Admiral will replace it with one of the same model and specification. This section of the policy also states:

'*if **you** do not want **us** to replace **your vehicle**, or a vehicle of the same model and specification is not available from UK stock, the most **we** will pay is the **market value.***

Mr H has said that Admiral told him that new car replacement could not be considered due to the time it would take, but didn't give him a detailed explanation of how long this may have taken.

Admiral have explained that the car wasn't available for purchase and so they were unable to offer new car replacement. I can see from Admiral's contact notes that Mr H had said that the car wasn't being made anymore. Mr H had also explained to Admiral that he didn't believe there would be many cars of the same model and specification available, and that from his research there were no manual model's currently available on the market.

Based on the evidence provided I don't think there were cars available for Admiral to be able to arrange new car replacement. Whilst the terms of the policy state that in these circumstances the most Admiral will pay is the market value, Admiral did rate the risk on the basis it would have to pay for the value of a new car replacement. I don't think it's fair for Admiral to pay market value if this figure is lower than what it would have paid to replace Mr H's vehicle with a new one should it have been available. This would mean Mr H would be disadvantaged through no fault of his own. And I think Admiral should have paid Mr H what it would have had to pay to replace the vehicle.

Given Mr H's car was no longer being made, and the specificity of the car, it is unclear how much Admiral may have paid for new car replacement should a new car have been available. And given the difference in the highest guide valuation compared to what Mr H paid for the car when he bought it, I still think Admiral paying the highest guide valuation is the fairest way to settle the claim without any detriment being caused to Mr H.

I acknowledge that Mr H would have liked a more detailed explanation of how long the process of arranging new car replacement would have taken. However given the specifics of Mr H's claim I don't think he has been disadvantaged by not being given this explanation as it's unlikely new car replacement would have been possible.

My final decision

For the reasons I've set out above, it's my final decision that I uphold this complaint. I require Admiral Insurance (Gibraltar) Limited to pay Mr H a further £24,332.50, plus 8% per year simple interest on this calculated from the date it paid the initial settlement to the date it pays the further amount due.

If Admiral Insurance (Gibraltar) Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr H how much it's taken off. It should also give Mr H 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 H to accept or reject my decision before 28 October 2024.

Andrew Clarke

Ombudsman