

The complaint

Miss A complains that following a claim made on her motor insurance policy Admiral Insurance (Gibraltar) Limited declared her car to be a total loss without physically inspecting it. She wants a refund of the premium she paid for two months when she couldn't use her car.

What happened

Miss A's car was damaged in an incident, and she notified Admiral of this. Miss A described the damage caused to Admiral. It entered this into its matrix and decided it was likely that the car would be a total loss. Admiral asked Miss A to send in photographs of the damage. An in-house engineer reviewed these and confirmed that the car was a total loss.

Miss A disagreed and Admiral said she could take her car to a non-approved garage for an estimate. Miss A did this and Admiral approved the estimate. The repairs made cost much less than the value of her car. Miss A was unhappy with Admiral's decision that her car was a total loss and that it contacted her garage without telling her. Admiral agreed it should have told Miss A that it was going to call the garage and it paid her £100 compensation for this.

Our Investigator recommended that the complaint should be upheld. She thought Admiral was entitled to settle Miss A's claim as it saw fit, but it must do so fairly and reasonably. And she thought Admiral hadn't been able to show that Miss A's car was uneconomical to repair. She thought Admiral's compensation for not telling Miss A it was going to contact her garage was fair. But she thought Admiral should also pay Miss A £150 compensation for her trouble in having to arrange for her own repairs to be made.

Admiral replied that it was common practice to make decisions about the cost of repairs from photographs. It said it didn't decide to write off the car because of the likely costs of repairs compared to its value, but because the engineers had decided the repairs would exceed the car's value. It said it had reasonably given Miss A the option of seeking a second opinion, and it had approved the estimate. It didn't think compensation was warranted.

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.

Miss A has explained that her car was repaired by her garage and was returned to her. She said the cost, estimated from the description and images she also provided to Admiral, was a fraction of the car's value. And so I can understand that she felt frustrated with Admiral's decision to write off her car.

Our approach in cases like this is to consider whether the insurer's acted in line with the terms and conditions of the policy and fairly and reasonably.

As our Investigator has explained, Admiral is entitled under the terms and conditions of its policy with Miss A to take over, defend, or settle a claim as it sees fit. Miss A has to follow its advice in connection with the settlement of her claim, whether she agrees with the outcome

or not. This is a common term in motor insurance policies, and I do not find it unusual. And so I've considered whether Admiral has acted fairly and reasonably in this case.

When an insurer decides to write off rather than repair a car, we're unlikely to uphold the complaint if the insurer can show that its decision was reasonable. If we're satisfied that the estimated repair costs were reasonable and would have been more than the vehicle's market value immediately before it was damaged, then we're likely to agree that the vehicle should be written-off.

It's also industry practice that an insurer will consider writing off a vehicle if the repairs cost around 60-70% of the car's market value. This is usually because the cost to the insurer of paying for repairs is more than they'd lose on paying to write-off the vehicle, when also taking account of any amount they make on its salvage. We don't think this is unreasonable. So the decision to write-off a car has to be reasonable based on the cost of the repairs versus the market value.

Admiral said its system decided that the car was a likely write-off based on Miss A's report of the damage. And then this was confirmed by photographs provided by her that were reviewed by its engineer.

We asked Admiral for evidence of the estimated repair costs that led it to decide to write off rather than repair the car. But it hasn't been able to provide these, just a total amount provided by its engineer with no substantiation. It's not my role to tell Admiral what systems and processes it should use. But this means I haven't seen that the estimated cost of the repairs compared to the car's market value made it a write-off.

But Miss A did provide a detailed repairs estimate from her garage, which Admiral approved. She said this estimate was based on the same information provided to Admiral. And the total cost of repairs was a fraction of the car's pre-accident market value, as estimated by the garage. Admiral relied on this estimate when approving the repairs. And so in the absence of other evidence, I think this shows that the car was repairable and not a write-off and Admiral's decision was unreasonable.

Admiral said that it had offered Miss A the option of getting a second opinion on the repairs, which she did. But if Admiral had made a reasonable decision in the first place then this would have been avoided. And so I think Admiral caused Miss A trouble and upset in having to obtain an estimate and then arrange for her car to be repaired when Admiral should have done this for her.

Our Investigator thought Admiral should pay Miss A £150 compensation for this. I think that's fair and reasonable as it's in keeping with our published guidance for the impact caused by the error.

Admiral has already paid Miss A £100 compensation for contacting her garage without telling her. And I can see that this caused a delay in having the repairs approved. So I think this compensation was fair and reasonable.

Miss A also told us that she was concerned that she wasn't provided with a courtesy car when she made her claim and whilst the repairs were carried out. But I can't see that she has complained to Admiral about this first to allow it a chance to respond. If Miss A remains unhappy, she should make a complaint to Admiral. And, if she's not satisfied with its response, then she can bring her complaint to us.

Putting things right

I require Admiral Insurance (Gibraltar) Limited to pay Miss A £150 further compensation for the distress and inconvenience caused by its handling of her claim.

My final decision

For the reasons given above, my final decision is that I uphold this complaint. I require Admiral Insurance (Gibraltar) Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 24 December 2024.

Phillip Berechree
Ombudsman