

The complaint

Mr G was unhappy with the cash settlement paid by Admiral Insurance (Gibraltar) Limited ("Admiral") for his written off car under his motor insurance policy.

What happened

Mr G made a claim when fire caused damage to his car. Admiral reviewed the claim and decided to write-off Mr G's car as it was beyond economic repair. Admiral paid him a cash settlement of £26,945 less the policy excess for the car.

Mr G is unhappy as he has researched the second-hand car market and he believes the value of his car at the time of loss was between £33,900 and £35,400. Mr G said Admiral hasn't allowed in its valuation the upgraded interior of his car which he feels makes it "*a more desirable and expensive model*".

Admiral explained it used an independent assessor to value Mr G's vehicle, with the assessor utilising well known industry guides as well as his own research and expertise to place a value on the vehicle.

As Mr G can't buy a like for like car for the value Admiral have settled at, Mr G has said he wants a fairer settlement.

Our investigator not to uphold the complaint. He thought Admiral had used the standard industry approach in valuing Mr G's car and thought it had arrived at a reasonable valuation for his car. Mr G disagreed, so the case has been referred to an ombudsman.

My provisional decision

I made a provisional decision on this on 6 September 2024. I said:

"I've started by understanding Admiral's liability under the policy. Admiral is obligated by the terms and conditions of the policy which state "we will decide how to settle your claim and will either pay to repair your vehicle or a cash sum to replace the damaged vehicle".

The policy explains further "if we give you a cash sum, the most we will pay is the market value of the vehicle". And market value is defined as "the cost of replacing your vehicle with one of a similar make, 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".

So, I've considered the process Admiral has followed to see if it has met the terms of its policy. I can see it used two well-known industry valuation guides to assess the value of the vehicle. It took the higher of these two guide prices, which resulted in its valuation of £26,945.

Our service has access to these tools, so I've also checked the industry guides Admiral used as well as two more guides that are available to our service. I can see there are valuations

that are higher from other industry guides, one valuing the car at the time of loss at £27,852. As Admiral's valuation is outside of the tolerance I'd expect (when compared to the highest), I've reviewed the file to see if Admiral has justified using a lower valuation. I haven't seen any justification provided, so I think in this case Admiral should honour the higher valuation of £27,852. Therefore, I intend to uphold this complaint.

I appreciate Mr G thinks his car is worth between £33,900 and £35,400. He said he paid £35,700 for the car just under a year earlier and additionally he's seen some cars advertised in industry magazines more recently. However, our service doesn't find advertised prices to be an accurate way to value cars. We think a fairer way is to use the industry guides which base their valuations on actual sold prices, which will almost always be lower than the advertised price.

I've also noted Mr G says his car was superior due to its all-white interior, which Mr G noted made the car feel larger. He's explained succinctly why the perception of a larger space is so important for one member of his family. I'm persuaded this is an important factor to Mr G when buying a replacement car. He hasn't been able to buy a car with the same interior for the money that has been offered. Admiral hasn't demonstrated there is a car available like this at this price, with the specific interior.

Our service's view is that many enhancements to cars rarely hold their value, so it's important that there is clear justification / evidence provided for when an enhancement should attract a higher valuation. Mr G has provided a range of advertised prices from his local area and his dealership that show the prices for a car like his own are between 22% and 27% higher than the trade valuation of £27,852.

Due to the importance of the interior Mr G is after, I've done my own light research based on the area Mr G lives in looking at whether there is a significant differential in pricing between black and white interiors. I know this will disappoint Mr G, but I haven't been able to see a marked difference in pricing. With our service's stance on enhancements and the fact the industry guides not showing a higher valuation for a white interior, I'm unable to justify going any higher than the highest industry guide price.

In summary, I intend to uphold this complaint. I intend that Admiral settle the claim based on a valuation of £27,852. As Admiral has already paid part of this, I intend it only pays the difference of £907. As Mr G has been without this money, I intend that Admiral adds 8% interest per annum to this from the date the original settlement was paid to the date the final balance is paid.

I think Mr G has been inconvenienced slightly due to the research he's had to put in. As it has identified a slight shortfall in the valuation, I intend to award Mr G £150 compensation for distress and inconvenience".

Responses to my provisional decision

Mr G accepted my provisional decision, and he didn't have anything further to add.

Admiral didn't say whether it accepted or rejected my provisional decision. Admiral did say "I can confirm we only wish to highlight we utilised an expert in this field here to value the vehicle and do not feel this should be dismissed".

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.

I appreciate what Admiral has said. However, I'm not persuaded to change my provisional decision. I think the fairest valuation is the highest industry guide price. I haven't seen justification for using a lower price.

My final decision

My final decision is that I intend to uphold this complaint. I require Admiral Insurance (Gibraltar) Limited:

- Pay £907 to increase the case settlement on the car to the new valuation of £27,852, plus 8% interest per annum to this from the date the original settlement was paid to the date the final balance is paid
- £150 compensation – for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 8 October 2024.

Pete Averill
Ombudsman