DRN-5041919

The complaint

Mr D complained that Admiral Insurance (Gibraltar) Limited didn't offer him enough for his car when he claimed under his motor insurance policy.

What happened

Mr D's car was damaged and Admiral decided that it was uneconomical to repair. Admiral looked at various motor trade valuation guides in assessing his car's market value and offered him the average of two of those guides' amount. This was ££11,790.

Mr D didn't think this was enough. He said he couldn't buy a similar make and model to his car with that, and his car had been a top of the range model with a full service history and lower than average mileage. He sent us adverts which showed similar cars selling for more than what Admiral had offered. He thought that Admiral had significantly undervalued his car.

Our investigator recommended that his complaint should be upheld. She thought that Admiral hadn't shown sufficient evidence that their valuation was fair and so they should increase their offer to Mr D to the highest of the guides' valuations.

Admiral didn't agree so I've been asked 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.

Mr D's car insurance policy says that market value is:

"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."

The investigator explained to Mr D what our approach was, regarding complaints about car valuations. We don't decide what the market value of a car is; we merely consider whether or not the insurer has reached a fair and reasonable amount in all the circumstances .This involves having regard to the valuations in the motor trade guides. The prices in those guides are linked to likely monthly nationwide sales figures which we believe give a reasonable and independent guide and take account of a number of factors including mileage, condition, and any extra features. However we also take account of any other evidence provided by both sides. That evidence could include advertisements for the sale of similar cars, and the car's condition at the time of the incident is an important factor to consider. We agree that valuing second-hand cars is not an exact science, but we look to see if an insurer has acted reasonably in providing a fair market value for a car.

In assessing Mr D's car's market value, Admiral looked at the valuations from the motor trade guides. The investigator checked that Admiral had valued Mr D's car in accordance with our guidance, considering its model, additional features, and the actual mileage at the time of the car's loss.

The independent valuations Admiral obtained were:

Guide A : £11,500

Guide B: £12,080

Guide C: £10,812

Admiral explained that there was another guide (Guide D) they didn't use in their assessment as it was higher than the others and so they thought it was an outlier. They took the average of the two highest guides, A and B. That gave £11,790 as Mr D's car's market value. They also deducted Mr D's policy excess.

The investigator checked these valuations and saw that Guide D's valuation was £13,086. The guides show a range of amounts and Guide D seems to sit reasonably within that range, so I don't see that it's an outlier. And although Admiral has used the average of two guides, they haven't shown us why Admiral think it was reasonable to choose that average.

And in any event, we expect an insurer to show that someone can replace their car with a similar one for what the insurer offers them. We'd also expect them to show us evidence other than the guides, which supports the reasonableness of that amount. This could include engineer's reports and/or sales adverts for similar cars. Admiral said that the prices for some cars shown in Guide D's reports that our investigator produced did suggest that Mr D could have bought a similar car with Admiral's market value offer. But that shows only a limited selection of similar cars available then, and so I don't think it's a sufficiently reliable indicator of that. And it was this Service's investigator who produced that, not Admiral.

Admiral hasn't shown us other evidence supporting the reasonableness of their market value offer amount and so I don't think that Admiral have provided enough evidence to justify it. So I don't think that the amount Admiral offered Mr D was a fair and reasonable valuation of his car. Our approach in this situation is to consider the guides' valuations and start with the highest of them. That is £13,086. So I think that Admiral should pay Mr D £13,086 for Mr D's car's market value, less his policy excess, and less any amount they have already paid him, plus interest.

My final decision

For the reasons given above, my final decision is that I uphold the complaint and I require Admiral Insurance (Gibraltar) Limited to do the following:

- Pay Mr D £13,086 less policy excess for his car's market value, less any amount they have already paid him as market value.
- Pay interest on that £13,086 (or on the difference between that and what Admiral have already paid him) at 8% simple interest from the date they should have paid him it until the date they do pay it.

If Admiral consider that they are required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mr D how much they've taken off. They should also give Mr D a tax deduction certificate if Mr D asks for one, so Mr D can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 27 November 2024.

R. Scott

Rosslyn Scott
Ombudsman