The complaint

Miss W complains about the way Admiral Insurance (Gibraltar) Limited handled a claim she made under her car insurance policy.

What happened

Miss W was involved in an accident with another car. Admiral recorded the accident as non fault and the car as a total loss. Miss W said she paid £6,000 for her car and was hoping to get somewhere between £4,500 and £4,900 after it had been written off. Admiral valued the car at £3,695. Miss W complained as she didn't think Admiral had valued her car fairly. She said she'd now bought a similar car for £4,395 and while she recognised it wasn't as old as her previous car, it wasn't in as good a condition either.

Admiral explained that due to the age of the car it hadn't been able to value it using the trade guides it would normally use. Instead, it had asked an independent assessor to value it and they had reviewed the valuation in light of the information Miss W had provided. Admiral said it was satisfied the valuation of £3,695 was fair. It accepted it could have communicated with Miss W more frequently and gave her £75 for the poor service it had provided.

Our investigator didn't uphold Miss W's complaint. She thought the valuation was fair and reasonable. And she thought Admiral had done enough to compensate Miss W for its poor communication. As Miss W disagreed, her complaint was passed to me to make a final decision.

I reached a different conclusion to our investigator, so I sent a provisional decision to Miss W and Admiral to give them an opportunity to comment. Miss W said she was happy with the points I raised while Admiral said it had nothing further to add. So, my findings and my decision below are substantially the same as set out in my provisional 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.

Miss W's policy sets out what she's covered for in the event of an accident. It says Admiral will pay a cash sum to replace the damaged vehicle, but the most it will pay is the market value of the vehicle. It defined market value as the cost of replacing the car with one of a similar make, model, year, mileage and condition based on market prices immediately before the loss happened. It said this value is based on research from industry recognised guides.

It's not my role to value Miss W's car. This service's approach is to assess whether the insurer's valuation is fair and reasonable and in line with the terms and conditions of the policy. To do this we tend to use relevant motor valuation guides. I usually find these persuasive as they're based on nationwide research and work out the likely retail selling prices rather than advertised asking prices at the time of loss.

The difficulty here is that due to the age of Miss W's car, none of the guides we use were able to provide a valuation. So, I've had to rely on the evidence provided by Admiral and Miss W to decide whether its offer is fair, and that evidence is solely based on advertised asking prices.

As I've said, as Admiral wasn't able to use any trade guides to provide a valuation for Miss W's car, it asked an independent assessor (IA) to value Miss W's car. The IA relied on three adverts to reach a valuation. Those three cars were being advertised for £3,295, £3,499 and £3,900. The IA decided that a fair valuation based on those adverts was £3,695. It's unclear how they arrived at that particular figure but I note that it's very close to the average of the two highest advertised prices.

For her part, Miss W provided Admiral with two adverts for cars with similar specifications. One was priced at £4,995, the other at £5,075. The IA reviewed their valuation in light of these adverts but noted those cars were 1992 and 1994 models, while Miss W's car had been registered in 1991, so they discounted them. The IA was satisfied their valuation was fair and reasonable.

Admiral reviewed the valuation again when it responded to Miss W's complaint. It said it had compared its valuation to cars on Autotrader and noted one comparable car was priced at £3,500. So, it didn't think an increase in the valuation was warranted.

In her complaint to this service, Miss W said she paid £6,000 for her car only a few months before the accident. And she paid £4,365 a couple of months after the accident for a comparable car. Although this was for a newer 1996 registered model, she said the car wasn't in as good a condition as her previous car. So, she felt Admiral's valuation was very unfair, particularly as it left her out of pocket after an accident that wasn't her fault.

So, what do I think? I should start by saying that assessing the value of a used car isn't an exact science. That's particularly so when assessing the value of a car that was over 30 years old at the time of loss.

The IA relied on three adverts. The first advert was for a car that had done over 100,000 miles, 20,000 more than Miss W's car. The second advert had a mileage closer to Miss W's car but didn't specify the condition of the car. While the third advert didn't show the mileage or the condition of the car.

The IA discounted the two adverts Miss W put forward because they were slightly newer models and they would therefore be expected to have a higher value. But condition and mileage are also important considerations, and I don't think it was fair to discount those cars solely on age, particularly when the difference was between a 30 year old car and a 31 or 33 year old car.

When Admiral reviewed the valuation in response to Miss W's complaint, it looked at four adverts but only quoted one of those, which was the one closest to the IA's valuation. The other valuations ranged between £2,950 and £7,995 and it's not clear how Admiral took those adverts into account.

My own research has also shown a wide range of valuations for similar cars. I found adverts for cars with similar mileage and condition for between £4,495 and £5,499, although the car most similar to Miss W's was the lowest of those values.

Taking all of this evidence together, I'm not satisfied Admiral has valued Miss W's car fairly. There's a wide variation in prices for this particular model of car, but I don't think Admiral has provided enough evidence to show why it thinks its valuation is fair.

I think a higher valuation would be more reasonable. Miss W thinks Admiral should pay her between £4,500 and £4,900 but I'm not persuaded that a valuation as high as that would be appropriate in light of the evidence I've seen. She also thinks Admiral should at least pay her the difference between its valuation and the price she actually paid to replace her car. She said her new car cost her £4,365 and so the difference is £670. I think that would be a fair outcome, particularly in light of the terms of Miss W's policy. Admiral's obligations here are to satisfy the terms of the policy Miss W took out, which in practice means it needs to show she can purchase a comparable vehicle with the amount it offered.

Admiral pointed out that Miss W's new car was registered in 1996 and so she should expect to pay more for it. But Miss W said her new car was not in as good a condition as her old one and, as I've said, mileage and condition should also be taken into account as well as make, model and age.

So, I think £4,365 is a fair valuation in all the circumstances, and Admiral should pay Miss W an additional £670. It should also pay interest on that additional amount.

Miss W also complained about the service Admiral provided. Admiral accepted it hadn't replied to some of the emails Miss W had sent and that this must have caused some inconvenience. It apologised for that and paid her £75 for the distress caused. I can see how that will have caused some inconvenience for Miss W and I think it's right Admiral apologised for it. A payment of £75 to recognise that impact seems fair in all the circumstances.

My final decision

In light of my findings above, my final decision is that Admiral Insurance (Gibraltar) Limited should pay Miss W an additional £670, less any excess, plus 8% interest from the date it paid its initial valuation until the date of settlement[1].

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 29 October 2024.

Richard Walker
Ombudsman

[1] If Admiral Insurance (Gibraltar) Limited consider it's required by HM Revenue and Customs to take off income tax from that interest, it should tell Miss W how much it's taken off. It should also give her a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue and Customs if appropriate.