

## The complaint

Mr R is unhappy with the service provided by Admiral Insurance (Gibraltar) Limited (Admiral) following a claim he made on his car insurance policy.

## What happened

Mr R held car insurance through Admiral. The policy booklet explained in the event of a claim, Admiral would pay a cash sum up to the market value of the car. The definition of 'market value' explained *"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..."*

In August 2023, following an incident, Mr R contacted Admiral to make a claim on his car insurance policy. The engineers report deemed the car beyond economic repair and placed a category S on the car. Admiral provided a pre accident value (PAV) of £4,210. This was determined by using the value returned from the trade guides it had considered. Admiral said if Mr R wanted to retain the salvage, it would deduct £1,010.40, as well as the policy excess of £150- leaving a total of £3,049.60 to settle the claim.

Mr R was unhappy with the PAV. He also said the salvage deduction was too high and the independent engineer who had assessed his car had placed a lower salvage value. He said Admiral should use the independent engineers value when making the deduction.

Admiral paid Mr R £150 for the poor service provided when dealing with Mr R's claim. And a further £6.95 towards lost interest for the delay in paying the settlement figure. But it didn't increase the PAV placed on Mr R's vehicle or reduce the salvage deduction figure. Mr R didn't accept Admiral's offer to put things right, and brought his complaint to our Service for investigation.

The Investigator checked the three other trade guides that this Service would usually consider when determining complaints about car valuations. These trade guides (other than the Glasses guide Admiral had used) didn't give valuations due to the mileage of Mr R's car. Mr R provided additional evidence to this Service of adverts of cars on sale similar to his. He said they were on sale for more than the PAV offered for his car. The adverts provided by Mr R are summarised in the below table (for comparison, I have included Mr R's car).

	Price	millage	year	engine size
Mr R's car	£4,210 (Admiral's PAV	328,596	2010	2lt
Advert A (AutoTrader)	£9,350	239,000	2005	2.5lt
Advert B (AutoTrader)	£8,250	304,000	2008	2.5lt
Advert C (AutoTrader)	£9,000	243,795	2008	2.5lt
Advert D (AutoTrader)	£7,975	312,000	2013	2.lt
Advert E (AutoTrader)	£10,000	260,000	2008	2.5lt
Advert F (AutoTrader)	£4,995	383,000	2006	1.9lt
Advert G (AutoTrader)	£8,500	156,000	2007	2.5lt
Advert H (Ebay)	£7,500	Unknown	Unknown	2.5lt
Advert I (AutoTrader)	£8,295	369,000	2011	2.lt

The Investigator reviewed this complaint and found in Mr R's favour. He said Admiral's offer didn't fairly reflect the PAV for Mr R's car and it should increase its offer to £8,000, the average price of the adverts Mr R had provided. Our Investigator said Admiral is entitled to deduct the value of what would have been received when disposing of the salvage from its settlement figure. So, he recommended Admiral recalculate the salvage figure when settling the claim.

Our Investigator also felt the service Admiral had provided to Mr R during the claims process had fallen short. He recommended it pay £300 in compensation for the trouble and upset caused to Mr R.

Mr R accepted our Investigators findings. Admiral disagreed. It asked for an Ombudsman's decision. So, the case has been passed to me to decide.

I issued a provisional decision on Mr R's complaint. This is what I said about what I'd 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'd like to reassure the parties that although I've only summarised the background to this complaint, so not everything that has happened or been argued is set out above, I've read and considered everything that has been provided.*

*This Service's role isn't to work out exactly what the value of an individual car is. We look at whether the insurer has applied the terms of a policy correctly and valued the car fairly. Under the terms of Mr R's policy, Admiral had to pay him the market value of the car, less the excess.*

*When deciding whether an insurer has offered fair market value for a car, we usually refer to the trade guides. Trade guides are based on extensive nationwide research of likely (but not actual) selling prices. They use advertised prices and auction prices to work out what likely selling prices would've been. And we expect insurers to use trade guides (where possible) when valuing a car for claims purposes.*

*Admiral used CAP and Glasses to determine fair market value for Mr R's car. CAP didn't provide a value due to the mileage on Mr R's car. Glasses provided a figure of £4,210. Due to the limited guide values Admiral could obtain, it appointed an independent engineer to reassess the value. They also used the Glasses guide, which provided a lower figure than what Admiral had obtained. Admiral offered the higher of these figures.*

*I've looked at the trade guides that we would usually refer to when dealing with complaints about market valuations. I've summarised the values returned from the trade guides below:*

	<i>Admiral</i>	<i>This Service</i>
<i>Glasses</i>	<i>£4,210</i>	<i>£4,210</i>
<i>CAP (Solera)</i>	<i>N/A</i>	<i>N/A</i>
<i>AutoTrader</i>	<i>N/A</i>	<i>N/A</i>
<i>Percayso</i>	<i>N/A</i>	<i>£10,358</i>

*The value returned by Percayso is higher than the trade guide used by Admiral when assessing Mr R's claim.*

*Given the recent competitive market for second-hand vehicle sales, The Financial Ombudsman Service feels it's fair to rely on the highest valuation returned by the motor valuation guides. Here that is £10,358. That is unless the insurer can show there is good reason to think a lower value/its lower value is fair. Admiral hasn't provided any adverts in support of the PAV offered to Mr R.*

*I've carefully considered the independent engineers report provided by Admiral in support of the PAV offered to Mr R. I don't think its actions to appoint an independent engineer to place a PAV on Mr R's car are unreasonable. But I can't ignore the same trade guide was used by the independent engineer that had previously been considered by Admiral. So, I don't agree the engineers valuation was informed by evidence materially different to what Admiral had already considered.*

*Mr R has provided adverts from September 2023, showing the PAV doesn't fairly indemnify him. Admiral says car adverts can't be relied on because sellers usually inflate prices in preparation for potential negotiations and they're not a fair reflection on selling prices. But because of the recent changes in the market, we are increasingly hearing of cars selling either for or close to their advertised price. So, I'm satisfied adverts can be relied upon when determining the PAV. We would also place greater weight on examples that are as close as possible to the date of the incident. Having carefully considered the adverts from Mr R which were sent to Admiral soon after the date of loss, I'm satisfied this is relevant and persuasive evidence of the market value of his car at the date of loss.*

*I've seen that cars A,C,E and G have significantly lower mileage. I'm satisfied that mileage is a significant contributing factor when determining what a fair and reasonable market value should be based on. Because of the significantly lower mileage of the cars in A,C,E and G I don't agree that these are comparative examples that can be relied upon.*

*I've considered the adverts which can reasonably be compared to Mr R's car. The cars which can reasonably be compared are from adverts B,D,F and I. In particular, adverts D and I reflect cars of a similar make, model and specification as Mr R's. The mileage on the car shown in advert I is higher than Mr R's but is still on sale for more than what Admiral has offered. Looking at the adverts available very close to the date of the incident, in conjunction with the two guide prices available (Glasses and Percayso), I'm satisfied the guide value from Percayso is more reflective of the market than the PAV provided by Glasses that Admiral used. So I'm minded to say Admiral should settle Mr R's motor insurance claim based on the valuation of £10,358 minus the policy excess and salvage deduction.*

*Mr R is unhappy with the salvage value Admiral applied to the claim. He says Admiral should deduct the value that the independent engineer calculated. It's standard practice within the*

*motor insurance industry for an insurer to become the owner of the car upon paying a settlement following a total loss claim. When an insurer retains the car, it's usual for it to sell it through an appointed salvage agent. So, insurers will have commercial agreements in place with their salvage agents on how much they will receive for a car.*

*I've reviewed the rates Admiral have agreed with their salvage agent and I'm satisfied these rates are reasonable and in line with our approach, so it can deduct an amount in line with this. For the reasons explained I'm not persuaded it should use the salvage valuation calculated by the independent engineer.*

*Admiral offered Mr R £150 compensation for the service received during the claim. Mr R didn't agree with this sum. I acknowledge the service would have caused some additional upset and inconvenience for Mr R, over and above what I would expect to see in a normal claims process. I'm also mindful that Mr R has not been able to repair or replace his car as a result of Admiral reaching, in my view, an unfair valuation. This would have caused further inconvenience and frustration to Mr R. So, I'm minded to direct Admiral to pay a further £150 in compensation.*

### **Putting things right**

*For the reasons set out above I intend to uphold this complaint. I intend asking Admiral Insurance (Gibraltar) Limited to settle the claim as follows:*

- 1) Settle Mr R's motor insurance claim based on the valuation of £10,358 minus the policy excess and salvage deduction. I calculate the salvage deduction to be around £3,315. This figure will represent the final settlement amount; and*
- 2) Pay interest on the difference between the interim payment, and the final settlement amount. The interest should be calculated from 4 September 2023 (the date of Admiral's initial payment) to the date of payment. The rate of interest is 8% simple interest per year\**
- 3) Pay Mr R a total amount of £300 in compensation.*

*\*If Admiral Insurance (Gibraltar) Limited considers that it is required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr R how much it has taken off. It should also give Mr R a certificate showing if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.*

### **My provisional decision**

*I am minded to ask Admiral Insurance (Gibraltar) Limited to settle Mr R's complaint as detailed above.*

### **The responses to my provisional decision**

I invited both Admiral and Mr R to respond to my provisional decision.

Admiral had no further comments. Mr R responded saying his personal circumstances had changed since he referred the complaint to this Service and he's now unsure if he wants to retain the salvage (based on the increased salvage deduction I said Admiral could make 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.

I've thought about Mr R's submissions. And all that Mr R has explained about his car since he has had ownership of it. But I'm mindful of the time that has passed since Mr R took ownership of the salvage. So I don't think it is for this Service to direct Admiral to accept return of salvage at this time. It is for Admiral to decide whether this option is still available to Mr R. If it is, we'd expect Admiral not to deduct the cost of the salvage when settling Mr R's claim.

Whilst I accept Mr R's circumstances may have changed since he referred the complaint to this Service, I don't think these comments materially change the outcome of this complaint, or my direction for putting things right. So I'll be directing Admiral to put things right as I've set out in my provisional decision.

## **Putting things right**

For the reasons set out above I uphold this complaint. Admiral Insurance (Gibraltar) Limited is directed to settle the complaint as follows:

- 1) Settle Mr R's motor insurance claim based on the valuation of £10,358 minus the policy excess and salvage deduction. I calculate the salvage deduction to be around £3,315. This figure will represent the final settlement amount; and
- 2) Pay interest on the difference between the interim payment, and the final settlement amount. The interest should be calculated from 4 September 2023 (the date of Admiral's initial payment) to the date of payment. The rate of interest is 8% simple interest per year\*
- 3) Pay Mr R a total amount of £300 in compensation.

\*If Admiral Insurance (Gibraltar) Limited considers that it is required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr R how much it has taken off. It should also give Mr R a certificate showing if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

## **My final decision**

For the reasons provided I uphold this complaint. Admiral Insurance (Gibraltar) Limited must follow my direction as above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 15 November 2024.

Adam Travers  
**Ombudsman**