

The complaint

Mrs M complains about Admiral Insurance (Gibraltar) Limited's settlement of her car insurance claim.

What happened

Mrs M had a car insurance policy with Admiral. In May 2024, her car was stolen and she made a claim.

Admiral first offered a settlement based on a pre-accident value (PAV) of £21,305. It later increased the PAV to £21,780.

Mrs M complained because she was unhappy with the PAV and Admiral's service.

Admiral issued a complaint response in June 2024. It accepted there had been poor communication and it didn't communicate the process well to Mrs M. So it paid her £100 compensation. But it maintained its PAV of £21,780. After deducting the policy excess of £200, this meant a total settlement of £21,580.

Mrs M remained unhappy so she referred her complaint to the Financial Ombudsman Service. She said she was unable to find an equivalent car for the amount Admiral offered. She was unhappy at having to argue with Admiral about this at a distressing time. She wanted Admiral to pay a settlement between £25,000 and £30,000.

The Investigator upheld the complaint. They said Admiral's compensation of £100 was fair in the circumstances. But they said Admiral hadn't shown why its offer, below the highest value provided by the motor valuation guides, was fair. So she asked Admiral to settle the claim based on a PAV in line with the highest valuation guide of £22,610. She also asked Admiral to pay interest on the difference between this and Admiral's previous PAV.

Mrs M said it would cost around £3,000 to £4,000 more than Admiral had paid, to buy a replacement car with the same specification and condition. Admiral said it had provided examples of adverts that supported the PAV it relied on.

Because the complaint couldn't be resolved, it's been passed to me 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.

Mrs M's policy says the most Admiral will pay is the market value of the car. Market value is defined as "*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*". So I've considered if Admiral's offer to settle Mrs M's claim is fair and in line with these terms.

I've reviewed the motor valuation guide evidence Admiral provided. Motor valuation guides are what we would usually refer to when dealing with complaints about market valuation. The valuation 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. We expect insurers to use motor valuation guides when valuing a car for claims purposes. Based on the circumstances of Mrs M's claim, I think it's fair that Admiral has used the valuation guides here.

Admiral's notes show Mrs M reported a mileage of 47,000 immediately prior to the theft. But Admiral has relied on an estimated mileage of 49,421 to calculate the market value using the guides. This is based on a mileage reading of 46,915 at the car's last MOT in October 2023 (around six months before the theft occurred). I think Admiral's calculation and use of the estimated mileage is fair and reasonable in the circumstances. I say this because I think it's unlikely Mrs M's car would have done less than 100 miles between October 2023 and May 2024.

The valuation returned from one of the valuation guides Admiral used is £22,610. This is higher than the values returned from the other trade guides it used, including the further trade guides the Investigator used. In order to minimise the risk of detriment to the insured, the Financial Ombudsman Service feels it's fair to rely on the highest valuation returned by motor valuation guides. In this case, it's £22,610. This is unless the insurer can show there is good reason to think a lower value/its lower value is fair.

I've carefully considered the adverts provided by Admiral in support of the PAV it relied on. These are a mixture of cars advertised privately, with different trims and specifications to the insured car, higher mileage, some sold by private sellers and some with part service history only. So I don't think it's fair for Admiral to rely on these adverts and I don't consider them to be sufficiently persuasive. Mrs M also provided some adverts, but these were for newer models with lower mileage. So I don't consider the examples provided by Mrs M to be comparable to her car, or persuasive in the circumstances.

All things considered, I think the fair and reasonable thing for Admiral to do in the circumstances of this complaint, is to pay Mrs M a settlement based on a PAV in line with the highest valuation returned by the motor valuation guides. This represents a further £830 on top of what Admiral has already paid. And because Mrs M was unfairly without this additional amount, I think Admiral should add interest to this amount.

Admiral accepts it communicated poorly with Mrs M on the claim, and didn't communicate information to her as well as it should have, causing her additional stress. Having reviewed the evidence, I agree there was poor communication and poor service. But I think the £100 compensation Admiral paid Mrs M is fair and reasonable in the circumstances.

My final decision

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

- Pay Mrs M a further £830 to settle her claim.
- Pay interest on the above amount, from the date of the interim payment, to the date it completes payment. The rate of interest is 8% simple interest per year.*

* If Admiral Insurance (Gibraltar) Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs M how much it's taken off. It should also give her a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 3 January 2025.

Monjur Alam
Ombudsman