The complaint

Mr B complains about how Admiral Insurance (Gibraltar) Limited ("Admiral") handled a claim and the value it paid him for his vehicle following a claim under his motor insurance policy.

What happened

Mr B had a motor insurance policy with Admiral covering his car.

He was involved in an incident in November 2023 damaging his car. He contacted Admiral and made a claim. Admiral assessed his car as being beyond economical repair and said it would settle Mr B's claim at a vehicle value of £9,357.50.

Mr B chose to retain the vehicle, which is known as salvage. What this means he'd get his car back and some additional money. The value of the salvage plus this money would be the same as the vehicle value.

Mr B didn't agree with this value, or how Admiral had handled his claim, and he complained. He said it'd taken Admiral 70 days in total to deal with his claim. He said he'd repaired the car but was £2,000 down, and his car was now worth 20% less as it'd been written off.

Admiral said it agreed its claims handling had been poor as it hadn't responded to Mr B on a particular date as it told him it would. It'd also mistakenly told him his car had previously been written off, which caused him worry. It agreed his car had been kept for too long.

It offered him £100 compensation. It wouldn't increase its valuation.

As Mr B remained unhappy, he brought his complaint to this service. Our investigator looked into it and thought his complaint would be upheld. She thought Admiral should settle his claim at £10,239, which was in line with this service's approach, and it should pay interest on the difference at 8% simple.

But she thought its offer of £100 compensation for its service was fair.

Admiral accepted the view. But it also said the revised valuation of the car would mean its salvage value would slightly change. What this meant it agreed to pay Mr B an additional £634.88 plus interest.

Mr B didn't agree with the view. He pointed out the nearest similar car was priced at £11,000. He also made a further complaint that the revised value of his car meant that it should have written off in the first place.

Because Mr B didn't agree with the view, his complaint has been passed to me to make a decision.

I issued a provisional decision intending to uphold Mr B's complaint, but increasing the amount of compensation and considering Admiral's change to the savage value of his car:

I'm proposing to uphold Mr B's complaint, but it's important I say I'm not proposing to adjust *the market value of his car as he may have wished. However, I am minded to say that Admiral's service during his claim has been poor so I'm intending to say it needs to pay Mr B additional compensation, and I don't agree with Admiral's proposed approach to the value of salvage. I'll explain.*

Our Investigator has explained this service's approach to car valuations. We don't provide valuations for vehicles but look to whether the insurer's offer is reasonable.

I've done research into Mr B car and I've found these values, provided by four different trade guides, as at the date when his car was damaged, which are based on a vehicle with the same specification:

Trade Guide A - £9,620

Trade Guide B - £10,239

Trade Guide C - £9,845

Trade Guide D - £8,975

It's the approach of this service that the highest value in the trade guides is used as the basis for the settlement of a claim, so in this case that's £10,239. This would apply unless either of the parties can show evidence why the value is incorrect.

Admiral has agreed with this valuation.

Mr B didn't agree. He sent this service several adverts showing that cars with the same specification as his were being advertised at higher prices – he says the starting value for these is over £11,000. He's been to see one of the cars and says his was in much better condition.

He also said that Admiral's acceptance of this higher value should mean that it no longer regarded his car as a write off. He also asks that Admiral remove the write-off tag from his car.

Looking at Mr B's points in turn, I've considered the adverts he's provided to this service carefully. I can see that his car is a premium brand and about 14 years old. The examples he's sent show similar cars but mainly are slightly newer than his. I do appreciate he's talked about the rarity of his car, but he also needs to understand that Admiral's wording says it will look to pay him the market value of a car with the same age and mileage as his:

"Market value 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."

I'd also say that adverts don't always represent the actual sale price of a car, although this gap can be small. I don't find Mr B's evidence persuasive.

Looking at the valuations produced by the trade guides, I'm not persuaded that Admirals original offer of £9357.50 was fair. I think the fair solution is to require Admiral to settle Mr B's claim at a market value of £10,239.

Admiral has also said that by settling Mr B's claim at this amount (£881.50 higher) then it meant that it would need to adjust the salvage amount his car was worth. Which would mean *changing the amount it paid Mr B to £634.88. But I don't think that's fair. I can see Admiral has a calculation it uses to assess the salvage value, but I don't think it can apply that in Mr B's case.*

The details of this calculation are confidential and used for its internal processes. So I don't think Admiral can then apply it to a revised valuation determined by this service. It had previously agreed a salvage figure with Mr B as part of its claims settlement and I don't think it can arbitrarily adjust this figure later. In other words, it needs to pay the full additional £881.50 to Mr B, plus interest at 8% simple.

The second point made by Mr B is about whether it's fair that Admiral is able to write his car off due to this increased value. This complaint point wasn't in his original approaches to Admiral or this service, but I think it's fair I can deal with it here.

Admiral, like other insurers will use its own criteria to determine when a car should be written off. The decision to apply a write-off status to a car is set by engineers who are experts in these matters. These are set by its internal processes, and it's not the role of this business to interfere in these.

I've also looked at Admiral's handling of Mr B's claim, and I can see Admiral made several mistakes in how it handled Mr B's claim. There's a key point in the file about Mr B being promised a call back, which didn't happen despite the claims handler recording that they did call him.

It also told him it'd deducted an amount because it thought his car has been previously written off. This was incorrect and Mr B has told this service this caused him some distress for the evening it happened. I can see from Mr B's evidence that these incidents caused him distress and inconvenience over short periods.

But it's the length of time that Admiral took to deal with the salvage of his claim that is most significant. Admiral said it'd delayed the release of Mr B's car by 56 days, and it had to pay about £2,000 in storage costs. Admiral's final response to Mr B was issued in mid-January, and I can only consider matters to that point, but I'll mention there are comments on the file about Mr B being chased for storage costs well beyond this time.

It seems to me that Admiral's poor claims handling has caused Mr B distress and inconvenience over a period that's longer than I'd expect. I've thought about this and considered this service's guidelines on compensation and I think the appropriate amount is £250 in total, so £150 more than he's already been paid by Admiral.

Responses to my provisional decision

Admiral responded and said it didn't think my proposed solution to its salvage value was fair.

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 reviewed Admiral's response to my provisional decision and I don't agree with its position that to change the salvage value results in a fair solution.

Admiral didn't pay enough for Mr B's car, and Admiral has accepted that. As part of its processes, Admiral uses a calculation that means it will change the salvage value of the car depending on the market value it assesses. And as I've said, Admiral didn't pay a sufficient amount to Mr B during this claim, so it follows that I don't think it can then apply an internal calculation which would, effectively, mean, it pays an extra amount for the value of the car, but then takes some of that extra amount back because its own processes demand it.

I don't think that results in a fair solution for Mr B.

So Admiral now need to pay Mr B £881.50 plus 8% simple interest, plus a total of £250 compensation for its service and claims handling.

My final decision

For the reasons set out above, it's my final decision that I uphold this complaint. I require Admiral Insurance (Gibraltar) Limited to pay Mr B:

- £881.50 in respect of the difference in market value it should have paid him. Interest at 8% simple should be added to this from the date it made its initial payment settling his claim to the date this payment is made.
- Total compensation of £250 for his distress and inconvenience caused by its poor claims handling. It's my understanding that £100 has already been paid and this can be deducted.

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

Admiral Insurance (Gibraltar) Limited must pay the amount within 28 days of the date on which we tell it Mr B accepts my final decision. If it pays later than this, it must also pay interest on the amount from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 6 December 2024.

My provisional decision

Richard Sowden
Ombudsman