DRN-5184076

The complaint

Mr and Mrs N have complained that the offer made to them by their motor insurer, Admiral Insurance (Gibraltar) Limited (‘Admiral), for the market value of their cars after they were stolen was too low. They say this also impacted their no claims discount (NCD) when it shouldn’t have.

What happened

I issued a provisional decision on this complaint last month. An extract follows:

“In July 2024 both Mr and Mrs N’s cars were stolen from their house. One of the cars was later recovered but declared a total loss. The other car was never recovered.

Admiral accepted both claims and made offers for the market value of each car, as per its terms and conditions. It offered £15,843.50 minus the £250 excess for Mrs N’s car and £31,209.50 minus the £350 excess towards Mr N’s.

Mr and Mrs N weren’t happy with Admiral’s valuations and said that it would cost significantly more to replace each car. Mr N was also unhappy that his NCD was reduced from 13 to three years despite Admiral’s policy saying it wouldn’t be affected if the claim was against an uninsured driver.

Admiral responded to the complaints but didn’t uphold them. It said it’s offers were in line with valuations it had obtained in motor trade guides. It said that Mr N’s NCD was affected because, under the terms and conditions, it only wouldn’t be affected if Mr N had been involved in an accident with an uninsured driver and was able to provide the make, model and registration of the vehicle.

Mr and Mrs N then brought their complaint to us. They said that in respect of the first car they believed that it was worth between £17,980 and £18,000 and this was based on adverts they had found for similar cars. They said their other car was worth between £33,995 and £35,500 and this was again based on adverts for comparable vehicles. Mr and Mrs N said they wanted to be compensated up to the value needed to replace both cars and also to ensure that Mr N’s NCD was not affected.

Before the complaint was considered by one of our investigators Admiral told us it was prepared to increase its offers to £16,300 and £32,419 respectively plus 8% interest on each increase from the date of settlement. And it offered Mr and Mrs N £100 compensation for having to escalate their complaint to our service.

Mr and Mrs N said they would accept the £16,300 offer but not the £32,419. They said that the car was purchased only two months prior to the incident for £33,848 and that one of the optional extras was its colour, something which hadn't been taken into consideration in the valuation. In respect of the £100 offer, they thought that compensation for each claim should be separate as both cars were undervalued.

One of our investigators reviewed the complaint and noted that there was no longer a dispute in relation to one of the valuations. So she didn't look into that further. And she thought that Admiral's increased offer in relation to the other car was fair and reasonable based on motor trade guides that she had looked at. She also thought that the £100 offer was fair and reasonable. In relation to the NCD she thought that Admiral had acted in line with its terms and conditions. She thought this would be a "fault claim" as Admiral wouldn't be able to recover its outlay.

Mr and Mrs N didn't agree and asked for an ombudsman's decision. They said they didn't expect that the car would have dropped so much in value after only two months from when they bought it. They added that they bought an audio unit that they installed which cost £485 which wasn't considered in the valuation. They said they felt the cost to replace the car was £34,000. They also didn't agree with our investigator regarding the NCD. They said that Admiral had recovered the car and would be able to make a recovery.

The matter was then passed to me to decide. Before I proceeded with my decision, I asked our investigator to provide Admiral with Mr and Mrs N's invoice in relation to the audio equipment and said I felt that this was covered separately under the policy as it includes cover for aftermarket audio equipment. Admiral said that it would be covered as long as it was permanently fitted to the vehicle and it was provided with proof of this as well as proof of purchase.

What I've provisionally 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.

Both cars are covered under one policy and have the same policy number and so we have considered the claims as part of the same complaint. Also, like our investigator I haven't looked into the valuation of the first car as Admiral's increased offer has since been accepted by Mr and Mrs N. And I agree that it should pay them 8% interest on the difference between it's earlier valuation which it has already paid to them and the higher valuation which they have now accepted. So the outstanding complaints relate to the valuation of the second car and the reduction in NCD.

The terms and conditions of Mr and Mrs N's policy say that, amongst other things, Admiral will provide cover for their vehicle if it is damaged or lost due to theft. There will be cover for damage to the vehicle and to the vehicle's audio as long as it is permanently fitted to the car. For aftermarket equipment there is cover up to £1,250 or to the market value of the vehicle, whichever is lower.

The terms also say that Admiral will pay the market value of the vehicle.

The policy defines the "market value" 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."

Our service has an approach to valuation cases like Mr and Mrs N's that has evolved in recent times. When looking at the valuation placed on a car by an insurance company, I consider the approach it has adopted and decide whether the valuation is fair in all the circumstances.

Our service doesn't value cars. Instead, we check to see that 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 valuation guides. I usually find these persuasive as they're based on nationwide research of sales prices.

Admiral used three of the four motor guides we use. We consulted the fourth guide which returned a valuation of £32,370. The three guides Admiral used produced values of £29,150, £30,000 and £32,419. I've also reviewed the valuations our investigator obtained and they are broadly in line with the valuations Admiral used so I'm satisfied that these valuations are for Mr and Mrs N's car. I think the valuations are fairly close to each other and I, therefore, didn't consider any to be an outlier. So I haven't discounted any of them.

Admiral ultimately valued Mr and Mrs N's car at £32,419 which is the highest of the four valuations.

Mr and Mrs N said the car was rare and it was in a rare colour and so the motor trade guides wouldn't provide accurate results as there are not many examples of this car which have been sold. Mr and Mrs N have provided adverts for £33,995 and £35,500 which I have considered. The car with the lower valuation has similar mileage to Mr and Mrs N's car. But I wouldn't necessarily consider adverts to be more persuasive than the motor guides. I say this because it is often the case that the price that a car is advertised for isn't necessarily the price it will sell for which is often lowered further to negotiation. I have also looked at adverts for cars of the same model, age and colour as Mr and Mrs N's and the valuations ranged from £26,995 to £35,000. So, in this case it seems that advertised prices are fairly varied and, therefore, wouldn't be as reliable as the trade guides.

Mr and Mrs N also said that they bought their car for £33,848 around two months before the incident. They said the value could not have dropped so much in two months. I have some sympathy for Mr and Mrs N's argument but ultimately I don't think it is strong enough to persuade me to move away from our service's established approach. Also the price paid for a car isn't necessarily the same as it's "market value" which is what Admiral has to pay under the terms of the policy. And as I said above I find that the motor guides provide persuasive evidence as they are based on nationwide research of sales prices.

Looking at the valuations produced by the guides I'm persuaded that Admiral's offer of £32,419 is fair. This is because it is the highest of the four valuations and I think it's a fair offer and that Mr and Mrs N can replace their car with a similar one for the amount offered.

Given there isn't any other evidence that is persuasive and relevant enough to persuade me that a valuation in line with the higher valuations produced is inappropriate and to avoid any detriment to Mr and Mrs N the highest valuation produced by the guides is my starting point. And considering the overall variation of the values produced I consider that an appropriate and fair market valuation would be £32,419. I understand that Admiral has already paid it's earlier valuations to Mr and Mrs N and I agree that Mr and Mrs N should be paid 8% simple interest for the time they have been without the additional money owed.

<u>The audio equipment</u>
Mr and Mrs N have provided an invoice which showed that they spent £485 on aftermarket audio equipment for the second car. The invoice states the equipment is suitable for the make and model of the second car so, on balance, I think the equipment was purchased and fitted on the second car. Mr and Mrs N said that the equipment was fully integrated, and they believe this should be included in the valuation of their car.

I don't think this would change the valuation of the car necessarily but I do think that this is something that is covered separately by the policy. As I said above the policy covers aftermarket audio equipment up to £1,250 or the market value, whichever is lower. So I think Admiral should pay for the cost of this equipment plus interest.

Admiral said it would need to see proof of purchase and proof of fitting in order to cover this claim. As I said above, I think the proof of purchase provided by Mr and Mrs N is sufficient. And the policy doesn't require them to provide proof of fitting. From what I understand, this type of equipment would have been fully integrated so I think this is sufficient proof it was permanently fitted to the car.

<u>The NCD</u>
The policy contains an uninsured driver promise under the section that covers damage to the insured vehicle. It states that if the insured is involved in an accident with an uninsured driver that wasn't their fault their NCD will not be reduced provided they can supply the make, model and registration of the vehicle.

Under a separate section which relates to the NCD it states that a claim caused by an uninsured driver will not affect this.

Mr and Mrs N said that their NCD should not have been affected as their cars were stolen. I have considered their argument but I don't think it applies in these specific circumstances. The terms say that the uninsured driver promise applies if the insured is involved in an accident with an uninsured driver which wasn't their fault. In this case the cars were stolen so there was no accident or another driver involved.

In relation to the fact that the NCD will not be impacted if a claim is caused by an uninsured driver, again I don't think this applies in these specific circumstances. Again, as the cars were stolen there was no other driver involved. I appreciate that someone may have driven the cars away when they stole them but that wouldn't be the same as a claim involving an uninsured driver. Also, I think it would be reasonable to assume that for a driver to be confirmed as being uninsured they would have to be found and identified first, which wasn't *the case here. So, again I think it's more likely than not that this term would apply in instances where the insured vehicle is involved in an incident with another car which is driven by an uninsured driver.*

In relation to the £100 compensation Admiral offered I think this is fair and reasonable and in line with awards we would make in similar situations and I was pleased to note that Admiral increased its valuation offers

My provisional decision

For the reasons above, I am considering upholding this complaint. Admiral Insurance (Gibraltar) Limited must pay Mr and Mrs N £32,419 and £16,300 for the market value of their vehicles less the interim payments it has made already towards this. It must add 8% simple interest per year on the shortfall from the date of the original settlement to the date it pays them. It should also pay £485 for Mr and Mrs N's audio equipment plus 8% simple interest per year from one month from the date of the claim to the date of settlement.

It must also pay Mr and Mrs N £100 for the distress and inconvenience it caused them in the way it handled the claims."

Both parties responded to my provisional decision. Admiral accepted it. Mr and Mrs N said that they accepted the majority of my decision but they wanted to ensure that I had understood the car specification when determining what Admiral should pay towards its valuation. They asked for links to the adverts I had referred to in my provisional decision and said they weren't able to find any vehicles anywhere near as low as £26,995. They also provided a link to a forum which explained the differences between their car's red colour and the standard red the car comes in.

Our investigator provided Mr and Mrs N with the relevant links but clarified that in my decision I placed more weight on the evidence provided by the guides rather than the adverts.

In their response Mr and Mrs N said that three out of the five cars in the adverts were the wrong colour. They asked that I also review the article they had provided so I could understand the differences between the standard and the premium colour which is the colour their car was in. They also pointed out that the cars in the adverts had higher mileage than theirs which would reduce their value. They also said that the adverts I was looking at were current and that sales prices would have been higher in the summer months which is when performance cars are likely to be worth more.

Mr and Mrs N also reiterated that they didn't feel the guides took into account the colour of their car and assumed the car came in the standard rather than premium colour.

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 have considered the additional evidence provided by Mr and Mrs N and I understand that their car came in a premium metallic colour which they say would add to its value compared to the standard paint. They also said that of the adverts I looked at only two models were comparable but had higher mileage than theirs.

As I said in my provisional decision, I didn't think the adverts were as helpful as the guides in these circumstances. But even taking into account the two adverts for the cars which were the same colour as Mr and Mrs N's, there is still a considerable difference between the values advertised for two cars which appear to have similar specification. So I don't think I can solely rely on the adverts.

Mr and Mrs N don't feel that the guides provide an accurate valuation either because they say they don't take into account the fact that the car came in a premium colour. I appreciate that Mr and Mrs N have paid extra for this colour but this doesn't necessarily mean that this would be reflected in the market value of the car or that the extra amount they paid should be added to the value of the car.

Mr and Mrs N had previously provided their own adverts and I mentioned in my provisional decision that the car in one of the adverts which was advertised for £33,995 had similar mileage to theirs. But as I also said in my provisional decision, the price that a car is advertised for isn't necessarily the price it will sell for which is often lowered further to negotiations. And bearing in mind Mr and Mrs N bought their car for less than that, I think this indicates that the market value of their car is lower than what's on the advert.

So, taking everything into consideration, I still consider that £32,419 is a fair valuation for Mr and Mrs N's car.

The rest of my findings remain as they were in my provisional decision and are now the findings of this, my final decision.

My final decision

For the reasons above, I've decided to uphold this complaint. Admiral Insurance (Gibraltar) Limited must pay Mr and Mrs N £32,419 and £16,300 for the market value of their vehicles less the interim payments it has made already towards this. It must add 8% simple interest* per year on the shortfall from the date of the original settlement to the date it pays them. It should also pay £485 for Mr and Mrs N's audio equipment plus 8% simple interest* per year from one month from the date of the claim to the date of settlement.

It must also pay Mr and Mrs N £100 for the distress and inconvenience it caused them in the way it handled the claims.

Admiral Insurance (Gibraltar) Limited must pay the compensation within 28 days of the date on which we tell it Mr and Mrs N accept my final decision. If it pays later than this it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple*.

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

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr and Mrs N to accept or reject my decision before 2 January 2025.

Anastasia Serdari
Ombudsman