

The complaint

Mr S is unhappy with the repairs carried out by Admiral Insurance (Gibraltar) Limited (Admiral) after he made a claim on his motor insurance policy.

What happened

In March 2024 Mr S was unfortunately involved in an accident and so submitted a claim to Admiral. Admiral arranged for Mr S's vehicle to be repaired, but didn't agree to repair the custom paintwork Mr S had on his vehicle. Mr S didn't think this was reasonable as he had declared this modification to Admiral and said it had told him it was covered when he added his car to his policy.

Admiral considered Mr S's complaint and upheld it. It said the policy terms are clear that modifications aren't covered and so it wouldn't be paying for the repairs to Mr S's paintwork. It said the call when Mr S took out his policy was no longer available, so it awarded £200 compensation in case Mr S was misadvised about cover for his modifications. It also agreed to waive a £26 administration fee and £12 additional premium due to Mr S changing his vehicle location on the policy. Mr S didn't think this was reasonable and so referred his complaint to this Service.

Our investigator didn't uphold Mr S's complaint. He said the terms of Mr S's policy don't provide cover for repairs to modifications. He said he thought on balance it was likely Mr S was misadvised about the repairs to modifications when he added his car to his policy, however the policy had been renewed several times and he felt the policy terms sent to Mr S were clear that repairs to modifications weren't covered. He thought Mr S ought to reasonably be aware his policy didn't cover repairs to modifications and so thought the compensation Admiral had offered was reasonable.

Mr S didn't agree with our investigator. He said he was told the modifications were covered and had seen the modifications listed on his policy schedule each year, therefore he believed repairs were covered.

I issued a provisional decision on this complaint and I said the following:

'I want to acknowledge I have summarised Mr S's complaint in less detail than he has presented it. I've not commented on every point he has raised. Instead I have focussed on what I consider to be the key points I need to think about. I mean no discourtesy by this, but it simply reflects the informal nature of this Service. I assure Mr S and Admiral I have considered everything that's been provided.'

Section 2 of Mr S's policy, which relates to damage to the insured's vehicle, states:

'5. We will not pay:

...

8. To replace or repair any *modifications*. Please read in conjunction with General

Condition 12'

General Condition 12 states:

'12. Standard parts replacement

Your policy does not cover modifications

*If **you** make a claim for loss or damage to **your vehicle**, provided it is economical to do so, we will only pay the cost of replacing parts needed for **your vehicle** to meet the manufacturer's specification along with any optional extras and/or disability adaptations **you** have declared.'*

Modifications is defined in the policy as:

*'Any changes to **your vehicle's** standard specification, including accessories and additional parts, optional extras and aftermarket alterations, trade related changes and parts.'*

The paintwork on Mr S's vehicle is an aftermarket alteration and so I'm satisfied it would fall under the policy definition of a modification. I think the terms of the policy are also very clear that there isn't cover to repair or replace any modifications. Therefore I don't think it is unreasonable for Admiral to say the repair to Mr S's paintwork isn't covered under the terms of the policy.

However Mr S has said when he added the vehicle to his policy he declared his modifications and was told repairs would be covered. Admiral have said this call is no longer available and so it hasn't been able to provide it. Admiral have apologised for any misinformation Mr S may have been provided during this call.

As the call is no longer available I've considered what I think is most likely to have happened during this call. Given Mr S declared his modifications, I think it is likely he would have asked whether repairs would be covered. Mr S has been consistent in his testimony that he was told the repairs to the modifications would be covered. On balance I think it's more likely than not Mr S was told repairs to his modifications would be covered should he need to claim.

When a business makes an error like this, it isn't always fair and reasonable to require it to honour what it has said. Instead we consider what would have happened had the error not been made, and whether the mistake has resulted in financial loss, distress or inconvenience.

Having considered all of the evidence provided, I don't think it would be fair and reasonable for Admiral to cover the cost Mr S will have to pay to repaint his vehicle and I'll explain why.

If Mr S had been told by Admiral his policy would cover repairs to his vehicle, but not to his modifications he may have sought an alternative policy. However most standard motor insurance policies won't cover repairs to modifications. This means had Mr S wanted to ensure his motor insurance policy provided cover for repairs to his modifications he would have had to have purchased a specific policy at what is likely to be a higher premium given the increased risk it would be covering. Therefore, had Mr S purchased an alternative policy, it's more likely than not he would have been paying a higher premium to cover his vehicle since 2020 when he began insuring his vehicle with Admiral.

So whilst I acknowledge without Admiral's error Mr S may have purchased a policy which did provide cover for repairs to his modifications, I can't ignore that Mr S has likely saved a significant amount in policy premiums since 2020. As I think Admiral's error has resulted in

Mr S being in a better financial position prior to his claim than he would have been had he purchased a policy elsewhere I don't think it would be fair for Admiral to cover the cost Mr S needs to pay to have his vehicle re-painted.

However I think it's clear Mr S has been caused distress as a result of Admiral's error. He had an expectation that his vehicle was going to be repaired and returned to him in the same condition it was prior to the accident. It would have been distressing for Mr S to learn this wasn't the case and that he would have to pay for the modifications himself given what he was told by Admiral in 2020. I think £400 compensation is more reasonable to acknowledge the distress and inconvenience Mr S has been caused by Admiral's error. I think Admiral should also honour its offer to waive the £26 administration fee and £12 additional premium due to Mr S changing his vehicle location on the policy.

Mr S has said if Admiral weren't going to provide cover for the modifications on his vehicle then it appears it has made an error by listing this modification on his policy schedule. I think it's important to explain most insurers will require modifications be declared to it, even if it isn't going to cover repairs to modifications. This is because it may decide the modifications impact the risk it is insuring, for example if the modifications make a vehicle more valuable or more likely to be stolen. Therefore I don't think Admiral were incorrect to list Mr S's vehicle modification on his policy certificate even if the policy doesn't cover the repair of these modifications.'

Neither party responded to 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.

As neither party has given me anything further to think about, I see no reason to reach a different conclusion to the one I reached before. So I uphold this complaint for the reasons I set out in my provisional decision.

My final decision

For the reasons I've set out above, it's my final decision that I uphold Mr S's complaint about Admiral Insurance (Gibraltar) Limited. It should pay Mr S £400 compensation and waive the £12 additional premium and £26 administration fee.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 1 January 2025.

Andrew Clarke
Ombudsman