The complaint

Mr M complains about Admiral Insurance (Gibraltar) Limited's ("Admiral") decision to treat his car as a total loss, and its subsequent valuation, following damage sustained in an accident, under his motor insurance policy.

What happened

In January 2024 Mr M's car was damaged in an accident. He contacted Admiral to make a claim. He says Admiral's valuation of his car was too low at £13,825 and didn't take into consideration its specification and condition. He says had this been considered correctly the car wouldn't be a total loss. Mr M thought his car could be repaired. He also complained about delays and the standard of communication throughout his claim.

In its final complaint response Admiral says its approved repairer determined Mr M's car was a total loss. Admiral's in-house engineer reviewed the cost estimate and images of the damage and agreed the car was a total loss. It says based on the cost of the damage the vehicle was correctly deemed a category 'N' total loss.

Admiral acknowledged its standard of communication hadn't been good. It says it should've reconfirmed its total-loss decision once it received the alternative quote Mr M had provided for the repairs. It paid £50 compensation for the poor service, and an additional £25 as its payment was delayed.

Mr M didn't think Admiral had treated him fairly, so he referred the matter to our service. Our investigator upheld his complaint. She says that a fair valuation for the car is £19,491.50. This was based on industry trade guide valuations and adverts for comparable car's offered for sale. She says Admiral should base its settlement on this amount and pay 8% simple interest on the delayed part of the payment. In addition, she says it should pay Mr M a further £150 in compensation for the inconvenience and frustration it caused him.

Admiral didn't accept with our investigator's findings. It agreed to a higher settlement of £15,316 in line with the highest of the trade guide valuations. But it didn't think the way our investigator had valued Mr M's car was fair.

As an agreement could be reached the complaint has 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.

Having done so I'm upholding Mr M's complaint. Let me explain.

I've read Admiral's engineer's assessment of the repair costs for Mr M's car. A detailed report was provided to set out the cost of parts, paint, labour etc. This came to £13,818.04. Typically, a vehicle will be considered beyond economical repair (BER) if the cost of repairs reach 60% to 70% of its market value. Based on the engineer's estimate of the car's market value it’s clear why it was considered BER. This remains the case even when considering a much higher market value for the car, which I’ll discuss below.

Based on this I don’t think Admiral treated Mr M unfairly when categorising his car as a total loss.

Mr M’s policy provides the market value in the event of a total loss due to accident damage. This is defined in his policy terms 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.”*

We don’t provide valuations for vehicles but rather we look to see whether the insurer’s offer is reasonable. In assessing whether a reasonable offer has been made, we obtain valuations from the motor trade guides.

These guides are used for valuing second-hand vehicles. We find these guides to be persuasive because their valuations are based on nationwide research and likely sales figures. The guides also consider regional variations. We also take all other available evidence into account, for example, engineer’s reports.

Admiral obtained valuations from two of the same trade guides that we use. I’ve looked to see that it used the correct mileage, age, make and model of car, which it did. I also checked to see that it used the correct date for Mr M’s loss, which was 1 January 2024. This was also done correctly. The valuations it obtained were £13,400 and £14,250. It took an average of the two to arrive at its settlement offer for £13,825.

Our investigator was able to obtain a valuation from one more of the trade guides. Again, I’ve checked to see that she used the correct information for Mr M’s car and the date of his loss, which she did. This valuation was for £15,316.

Valuing second-hand vehicles isn’t an exact science so we look to see that Admiral took a reasonable approach in these circumstances.

There is a considerable difference between what it offered and the higher valuation we obtained. Where there is a significant variance in the trade guide valuations, and the insurer doesn’t offer the higher of these in settlement, we expect it to provide evidence to support why it considers its approach to be fair. However, Admiral has since confirmed that it thinks the higher valuation for £15,316 should be used here.

When considering if Admiral treated Mr M fairly, I must also consider any other relevant evidence. Mr M has provided a statement from a specialist garage, where he services his car. The garage director says he has extensive experience with this type of car. He says they’re expensive to maintain and often aren’t. He says most cars of this type advertised for sale on the internet will require significant expenditure. And says this sets the trend for internet prices, where cars needing work are sold cheap.

In his statement the garage director says he sells cars on behalf of his clients. These cars have been looked after and are well-maintained. He says he regularly sells cars comparable to Mr M’s car for well over £20,000. The director says this car was maintained by his garage prior to Mr M buying it. And that all issues were repaired, and all services carried out. He says this has continued under Mr M’s ownership. The director says he would be able to sell the car for at least £25,000. Albeit I can see that he supplied a written estimate dated 5 March 2024 valuing the car at the lesser amount of £23,000.

I can see this garage on Companies House having been incorporated in 2015. The website confirms it's a specialist in the type of car Mr M owns.

Mr M provided an advert showing a similar car to his for sale for £21,950. This car is registered in the same year with around 9,000 more miles on the odometer. Admiral supplied four adverts. One is for a car that's a year older than Mr M's car with around the same mileage advertised at £14,000. But this isn't the same specification. There's another also a year older with 10,000 fewer miles. This is the same specification as Mr M's car and is for sale at £13,455. It comes with a full-service history. But I note Mr M's comments that it's important that servicing is with a main dealer or specialist garage, which isn't specified here. He says this impacts on value, which ties in with the garage director's evidence discussed earlier.

The next car advert is again a year older than Mr M's car. It's the same model and has 36,000 fewer miles. This car is advertised at £18,950. The final car is a year younger it's covered a further 6,000 miles, it's the same specification and for sale at £21,750. These cars indicate that they have full-service history at either a specialist or main dealer.

I think Mr M makes a persuasive argument that the condition of his luxury car is a key factor in its value. There are a number of cars advertised for sale at lower prices. But as discussed, these cars are likely to need work, and aren't advertised with a full-service history from a main dealer or specialist garage.

Having considered all of this I agree with the approach our investigator set out. A reasonable starting point is to take the highest of the trade guides, which is £15,316. The advertisements showing reasonably comparable cars, with the appropriate service history, are for sale at £18,950, £21,750, and £21,950. An average of these comes in at £19,491.50. In these circumstances I think this is a fair valuation for Mr M's car at the time of his loss. Admiral should base its settlement on this valuation and pay 8% simple interest on any unpaid part. It should calculate this from the date of its first settlement offer until this payment is made.

I've thought about the standard of service Mr M received and the impact this had on him. I can see that there were several occasions when he contacted Admiral chasing for a progress update. The business acknowledges that it should've acted on the repair estimate it received from Mr M's garage quicker. Not doing so delayed matters. As discussed I don't think Admiral offered Mr M a fair settlement, which has delayed him being able to either fix his car or take a payment and look for a replacement. In these circumstances I agree with our investigator that a further compensation payment should be paid. I think £150 on top of the £75 already paid is fair.

My final decision

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

- settle Mr M's claim using £19,491.50 as the market value for his car;
- pay 8% simple interest* on any unpaid part of the settlement from the date of its first settlement offer, until payment is made in full; and
- pay Mr M £150 in addition to the £75 it has already paid to acknowledge the inconvenience it caused him.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 27 February 2025.

Mike Waldron
Ombudsman