

The complaint

Mr B complains that Admiral Insurance (Gibraltar) Limited agreed to meet his claim for repairs to his car under his car insurance policy, but then reversed its decision after repairs had commenced.

What happened

Mr B made a claim for rodent damage to his car to his insurer Admiral. As requested, Mr B provided a repair estimate from a specialist garage. Admiral approved the repairs. Mr B double checked with Admiral, and it confirmed repairs were approved.

However, Admiral had instructed an engineer to physically inspect Mr B's car for damage – and this instruction was not communicated to the garage or Mr B. The engineer attended for an inspection and reported to Admiral that the damage wasn't caused by an insured peril. The garage began what it believed to be approved repairs.

Admiral failed to tell Mr B that it would no longer cover the costs of repairs. Mr B discovered Admiral's position when he contacted it a few weeks later. And this meant Mr B was left to pay for the repairs which came to over £4,000. Mr B complained to Admiral.

Admiral accepted it had misled Mr B and had communicated poorly with him. For the distress and inconvenience caused, it paid Mr B £350 compensation. But it said as the repairs were not caused by an insured peril, but by wear and tear, it wouldn't meet the repair costs.

Mr B remained unhappy and asked us to look at his complaint. One of our Investigators recommended Admiral reimburse Mr B for the full costs of the repairs. The Investigator pointed out that he hadn't considered whether the decision that the damage wasn't caused by an insured peril was reasonable. He thought Admiral's handling of the claim meant Mr B was denied the opportunity to make a different decision. He said Admiral should have either cancelled the physical instruction and met the claim – or arranged the physical instruction before approving the claim.

In addition to reimbursing Mr B for the repairs, the Investigator recommended Admiral increase the compensation award from £350 to £500, so a further £150.

Mr B accepted the Investigator's view. Admiral agreed to increase the compensation award. But it doesn't agree to meeting the costs of the repairs.

So Admiral wants an ombudsman 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.

Mr B asked the garage to proceed with repairs only when he was given absolute assurance from Admiral that his claim would be met. He went to the trouble of double checking with Admiral before repairs began. So I don't think it is fair for Mr B to have then been left with a significant repair bill to pay when he did all he could to ensure the information Admiral gave him was correct.

Admiral says we cannot be 100% certain that Mr B would have made a different decision – if Admiral had told him earlier that the repairs were not covered as it wasn't an insured peril. But I don't think that makes a difference. Mr B sought specific assurance from Admiral that the repairs were covered before going ahead. And so I think Admiral should reimburse Mr B with interest for the same repair costs.

It's clear that Admiral's decision to retract its agreement to cover the repair costs caused Mr B distress and inconvenience unnecessarily. And I think that was unreasonable. Communication was clearly poor and misleading during the claim and Mr B wasn't properly kept updated. So I agree that Admiral should pay a further £150, in addition to the £350 it has paid to compensate Mr B.

My final decision

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

- Reimburse Mr B in full for the repair costs Admiral assured Mr B it would meet under his claim.
- Pay interest on the amount at a rate of 8% simple interest a year from the date Mr B paid to the date of reimbursement.
- Pay Mr B a total of £500 compensation: so an additional £150 to the £350 if already paid, for the distress and inconvenience caused.

Admiral Insurance (Gibraltar) Limited must pay the compensation 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 compensation from the date of my final decision to the date of payment at a simple rate of 8% a year.

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.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 6 February 2025.

Geraldine Newbold
Ombudsman