

The complaint

Mrs C complains about Admiral Insurance (Gibraltar) Limited's settlement of her car insurance claim.

What happened

Mrs C had a car insurance policy with Admiral. In June 2024, her car was involved in an accident. Admiral declared her car a total loss, and in July 2024, it sent her a payment of £6,131.29. This was based on a pre-accident value (PAV) of £8,027.50, a proportionate settlement based on the car's annual mileage (compared to the estimate on the policy) and deduction of the £200 policy excess.

Mrs C complained. She said she wasn't told about the proportionate settlement and had purchased a car based on the full settlement.

Admiral issued a complaint response in July 2024. It said it had valued her car fairly, and was correct to proportionately settle the claim. It accepted it didn't communicate with her well enough, so it paid her £50 compensation.

Mrs C referred her complaint to the Financial Ombudsman Service. She said Admiral's payment was significantly less than it originally suggested and it didn't communicate with her. She wanted more compensation.

The Investigator didn't uphold the complaint. They said Admiral's valuation, proportionate settlement and £50 compensation was fair.

Mrs C remained unhappy so she asked for a final 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.

Valuation

The terms of Mrs C's policy say that if Admiral deems her car a total loss, the most it will pay her is the market value. Market value is defined 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."*

It isn't the role of the Financial Ombudsman Service to come to an exact valuation of an insured's car. But we do look to see if insurers have acted reasonably and if they've relied on a fair market value of the car in line with the policy terms and conditions. In doing so, we consider the various motor valuation guides used for valuing cars, along with other evidence provided by both sides.

In assessing what constitutes a fair value, we generally expect insurers to review relevant guides to motor valuations. When Admiral valued Mrs C's car, it looked at three motor valuation guides. I think it acted fairly in doing so. Admiral used a mileage of 74,023 for two of the three guides, which is significantly less than the 82,061 actual mileage of Mrs C's car at the date of loss in June 2024. 82,061 is the mileage Admiral could have used under the terms. The guides produced values of £7,392 (using the correct mileage of 82,061), £7,725 (using the lower mileage of 74,023) and £8,330 (using the lower mileage of 74,023).

Using the lower mileage of 74,023, the Investigator also obtained valuations of £7,650, £7,746 and £7,894.

Using the lower mileage of 74,023 (instead of the correct mileage of 82,061) would likely have led to higher valuations. But despite this, Admiral's PAV of £8,027.50 sits higher than most of the valuations produced by the guides. I've not seen sufficient evidence to show this valuation was unfair, so I think Admiral has acted reasonably in using a PAV of £8,027.50.

Proportionate settlement

Mrs C is unhappy Admiral proceeded with a proportionate settlement of £6,331.29 (before deduction of the £200 policy excess), despite the PAV of £8,027.50.

Admiral said it settled the claim proportionately because Mrs C's estimate of her annual mileage was incorrect.

Mrs C's motor proposal confirmation from December 2023 stated an estimated annual mileage of 6,000. The MOT for her car from July 2023 stated a mileage of 68,451 and the mileage in June 2024 (around 11 months later), was 82,061. This is a difference of 13,610 over 11 months, so I think it was fair for Admiral to say a more accurate annual mileage estimate would have been 14,000. Mrs C hasn't provided information or evidence to show why she proceeded with the 6,000 annual mileage estimate on her policy.

The estimated annual mileage is a statement of opinion, not a statement of fact. So the Consumer Insurance (Disclosure and Misrepresentation) Act 2012 (CIDRA) doesn't apply in the circumstances. But in thinking about what's fair and reasonable in this case, I've thought about what the principles of CIDRA say.

CIDRA requires consumers to take reasonable care not to make a misrepresentation when taking out a consumer insurance contract. And it says an insurer can take certain action, like settling a claim proportionately, if a 'qualifying misrepresentation' has been made.

Mrs C's motor proposal confirmation in December 2023 asked her to check the information included carefully and contact Admiral immediately if anything was incorrect. Despite this, I can't see Mrs C contacted Admiral to correct the annual estimated mileage of 6,000.

The evidence I've seen shows Mrs C was the registered keeper of the car since 2020, around three years from when the car was new. By July 2023, the car's mileage was 68,451 and less than 12 months later, the car had done more than 13,600 further miles, with a reading of 82,061 in June 2024. Mrs C hasn't provided any further evidence or explanation for why she proceeded with the 6,000 annual mileage estimate in December 2023. And in the circumstances, I think a reasonable consumer would have known the estimated annual mileage of 6,000 was unlikely to be accurate and contacted the insurer to update this.

Admiral has provided its underwriting information. This shows that had Mrs C provided a more accurate estimate of the annual mileage (14,000), it would have offered cover on different terms in December 2023. I'm satisfied that Mrs C would have been charged a

higher premium if she'd declared an estimated annual mileage of 14,000.

In the circumstances where there is a qualifying misrepresentation, CIDRA allows an insurer to reduce a claim proportionately. And although CIDRA doesn't apply here, I think it's fair and reasonable in the circumstances of this case, to apply the same principles here. So I think Admiral's action in proportionately settling Mrs C's claim is fair and reasonable.

Admiral accepts it calculated the proportionate settlement incorrectly and paid Mrs C £15.55 less than it should have for her claim. So I will direct Admiral to make this payment to Mrs C.

Poor service

Although Admiral acted fairly in how it valued Mrs C's car, and in proportionately settling her claim, I agree that it didn't communicate with Mrs C as well as it should have.

Between declaring her car a total loss in late June 2024 and sending Mrs C details of the proportionate settlement in early July 2024, I think Admiral was responsible for a loss of expectation over a short period of time.

While I don't consider Admiral is responsible for Mrs C's decision to purchase a car in the very short space of time before she received payment, I think its actions would have caused her some distress and inconvenience. And I think the £50 compensation Admiral paid is fair in the circumstances, so I won't direct it to pay more.

My final decision

My final decision is that I partially uphold this complaint and require Admiral Insurance (Gibraltar) Limited to:

- Pay Mrs C a further £15.55 in settlement of her claim.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 11 February 2025.

Monjur Alam
Ombudsman