

The complaint

Mr C complains about the settlement that Admiral Insurance (Gibraltar) Limited offered him for the loss of his car following a claim made on his motor insurance policy.

What happened

Mr C's car was stolen and later recovered damaged, and he made a claim on his policy. Admiral offered him £13,411.76, less the policy excess, in settlement of his claim for the car's total loss. But Mr C was unhappy with this. He thought he couldn't replace his car for this amount. He thought it would cost between £14,000 and £16,000, as shown by valuation guides, to replace his car.

Our Investigator recommended that the complaint should be upheld. He thought Admiral hadn't reasonably based its settlement for the car's market value on the motor valuation guides we use. He thought it hadn't justified its decision to offer a settlement lower than the highest valuation these provided, £15,525. So he thought it should offer the highest of the valuations provided by the guides and pay interest on the difference in settlements.

Admiral replied that it had discounted outlying valuations, in keeping with our approach and had then taken an average of the remaining valuations it had found. It thought this was supported by adverts. Admiral asked for an Ombudsman's review, so the complaint has come to me 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.

I can understand that Mr C wants a fair settlement for the loss of his car. He said he'd seen similar cars advertised for about £16,000 to £18,500 and so he was disappointed with Admiral's offer. He said he had to borrow money to buy a replacement car.

Mr C's policy provides for the car's market value in the case of its total loss. I can see that this is defined in the policy booklet 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."

The Investigator has explained this service's approach to car valuations. We don't provide valuations for cars but look to whether the insurer's offer is reasonable. In most cases, we assess the market value as the price which the consumer would have had to pay for a comparable vehicle across the various markets, immediately before the time of the damage or loss.

This could be slightly less than advertised retail prices, although this will depend on the most likely market for the particular age and model of vehicle. Because of recent changes in the market, we are increasingly hearing of cars selling either for or close to their advertised price.

Assessing the value of a used vehicle isn't an exact science. We generally find the valuations given in motor guides most persuasive. These guides are based on extensive nationwide research of likely selling prices. We also take all other available evidence into account, for example, engineer's reports, advertised prices and independent valuations.

Our Investigator thought Admiral's settlement offer wasn't fair and reasonable. So l've checked how he came to this conclusion. I can see that he looked in the motor valuation guides we use for cars of the same make, model, age, mileage, condition and optional extras as Mr C's car at the date of its loss.

Mr C provided adverts for similar cars advertised at higher prices than Admiral's offer. And I have considered these and looked to see where the advertised cars are identical to Mr C's. One example has a similar mileage to Mr C's car and is advertised at a price close to the Investigator's recommendation.

Given the current challenges in the used car market the motor valuation guides have a wider range of values then we have seen previously. And we think going by the highest will ensure consumers have received a fair offer, allowing them to replace their car with one of the same make, model and specification. So we now expect insurers to pay the highest of the valuation guides, unless they are able to provide us with evidence which supports a lower valuation.

Admiral had provided a valuation of £13,411.67, which was the average of two of the valuations provided by the guides. But the Investigator found valuations ranging between £12,795, £13,060, £14,163 and £15,525. This took into account the car's significantly higher than average mileage. So he thought Admiral's offer was towards the lower valuations and it hadn't provided any justification for not paying the highest valuation.

Admiral said it had provided three advertised examples of comparable cars, but I don't think these are comparable to Mr C's car due to the wide differences in their mileages from Mr C's car. So I can't say that these show that its valuation was fair. I think the comparable example Mr C provided shows that a fair value is closer to the highest of the valuation guides.

Admiral hasn't provided any further evidence to justify its decision not to pay the highest valuation. It said it should discount the lowest and highest valuations found as this was in keeping with our approach. But I disagree because, as I've explained above, our current approach has changed to take into account the current challenges of the used car market.

And so I agree that Admiral's offer wasn't fair and reasonable as it wasn't made in keeping with our approach and the policy's terms and conditions. And so I require it to increase this to £15,525, less the policy excess. And, because Mr C has been without his money for some time, pay interest on the difference between this and its interim settlement.

Putting things right

I require Admiral Insurance (Gibraltar) Limited to do the following:

- 1. Increase its settlement offer for the total loss of Mr C's car to £15,525, less the policy excess, and pay him the difference between this and its interim payment.
- 2. Interest should be added to this amount at the rate of 8% simple per annum from the date of the interim payment to the date of final settlement⁺.

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

My final decision

For the reasons given above, my final decision is that I uphold this complaint. I require Admiral Insurance (Gibraltar) Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 3 March 2025.

Phillip Berechree **Ombudsman**