DRN-5261697

The complaint

Miss G and Mr K complain about Admiral Insurance (Gibraltar) Limited's settlement of a claim under their car insurance policy.

What happened

Miss G and Mr K had a car insurance policy with Admiral. In June 2024, their car was damaged in an accident and they made a claim. In July 2024, Admiral deemed their car a total loss.

Admiral first offered a settlement based on a pre-accident value (PAV) that Miss G and Mr K said was £7,860. But it then increased this to £8,710.50. Miss G and Mr K were unhappy with the PAV Admiral relied on so they complained.

Admiral issued a complaint response in July 2024. It maintained its PAV of £8,710.50. After deducting the policy excess of £400, this meant a total settlement of £8,310.50.

Miss G and Mr K referred their complaint to the Financial Ombudsman Service. They said they were unable to purchase a similar specification car for the amount Admiral offered.

The Investigator upheld the complaint. They said the evidence Admiral provided wasn't sufficient to show a PAV less than the highest valuation guide figure of £8,971, was fair. So they recommended Admiral pay the difference between this, and its PAV of £8,710.50, with interest. They also recommended Admiral pay Miss G and Mr K £100 compensation for the distress and inconvenience caused.

Miss G and Mr K accepted, but Admiral didn't agree. It maintained it provided enough evidence to support its PAV and felt this wouldn't have prevented Miss G and Mr K from obtaining a similar vehicle.

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.

Miss G and Mr K's policy says the most Admiral will pay is the market value of the car. 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…This value is based on research from industry recognised motor trade guides*". So I've considered if Admiral's offer to settle the claim is fair and in line with these terms.

I've reviewed the valuation guide evidence Admiral provided. Motor valuation guides are what we'd usually refer to when dealing with complaints about market valuation. The guides are based on extensive nationwide research of likely (but not actual) selling prices. They use advertised prices and auction prices to work out what likely selling prices would've been. We expect insurers to use motor valuation guides when valuing a car for claims purposes.

When Admiral valued Miss G and Mr K's car. It looked at three motor valuation guides, based on a mileage of 68,507. These produced values of £7,375, £8,500 and £8,921. Despite the highest valuation of £8,921, Admiral settled based on a lower PAV of £8,710.50.

But in order to minimise the risk of detriment to the policyholder, we think insurers should settle based on a value close to the highest trade guide valuation – unless there's persuasive evidence, for example adverts or independent reports, that a lower value is fair and reasonable.

I've carefully considered the adverts Admiral provided. These are a mixture of cars with prices between £5,490 and £11,495, and mileage between 29,640 and 107,332. So I don't consider the majority of these examples to be comparable to Miss G and Mr K's car, in line with the definition of market value. Furthermore, Admiral hasn't provided full adverts, so I've been unable to check the specification and condition for the examples.

Of the three examples with similar mileage to Miss G and Mr K's car, one had a price of £8,500 with an indication this was lower than usual. Another had a price of £8,799 with an indication this was a great price, so again, likely lower than most other similar examples in the market. And finally, the third example had a price of £9,000, with an indication this was still a good price.

Given there were only three comparable examples, two priced more than Admiral's PAV and the one priced lower being a lower price than usual, I'm not persuaded that a PAV lower than the highest trade guide valuation is fair in the circumstances. Miss G and Mr K also provided some adverts, but the mileage, gearbox and specification wasn't clear on many of them, so I also don't consider their examples to be persuasive in the circumstances.

All things considered, I think the fair and reasonable thing for Admiral to do in the circumstances, is to pay Miss G and Mr K a settlement, based on a PAV in line with the highest valuation returned by the motor trade guides. This is £8,921, and represents a further £260.50 on top of what Admiral has already paid. And because Miss G and Mr K were unfairly without this additional amount, I think Admiral should add interest to this.

Admiral's initial and final offer were not fair in the circumstances. I agree with the Investigator this would've caused Miss G and Mr K some distress and inconvenience, and I think the £100 compensation they recommended is fair. So this is what I will direct Admiral to pay.

My final decision

My final decision is that I uphold this complaint.

I require Admiral Insurance (Gibraltar) Limited to:

- Pay Miss G and Mr K a further £260.50 to settle their claim.
- Pay interest on the above amount, from 15 July 2024 to the date it completes payment. The rate of interest is 8% simple interest per year. *

* If Admiral Insurance (Gibraltar) Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss G and Mr K how much it's taken off. It should also give them a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G and Mr K to accept or reject my decision before 14 March 2025.

Monjur Alam
Ombudsman