The complaint

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

What happened

Mr O's car was damaged in an accident, and he made a claim on his policy. Admiral offered him £15,463, less the £600 policy excess, in settlement of his claim. But Mr O was unhappy with this. He thought he couldn't replace his car with its optional extras for this amount. He thought it would cost about £23,000, as shown by adverts, to replace his car.

Our Investigator recommended that the complaint should be upheld. She thought Admiral hadn't reasonably based its settlement for the car's market value on the motor valuation guides we use. She thought its offer wasn't the highest of the valuations provided by the motor valuation guides and it hadn't justified not paying the highest valuation.

The Investigator considered adverts for similar cars that Mr O provided. But she didn't think these were comparable as they were for automatic rather than manual cars, and they had significantly lower mileage. And she thought Mr O's optional extras didn't increase the value of the car further than the highest valuation in the guides.

So she thought Admiral should increase its offer to the highest of valuations from the guides and pay Mr O the difference, with interest. And she thought Admiral should pay Mr O £100 compensation for the trouble and upset caused by it not providing a correct valuation.

Mr O replied that the settlement wouldn't be enough to buy a replacement car in the current market. He provided further adverts showing similar cars to his own advertised at higher prices. He said being without a car was causing him stress due to his family circumstances. He said he was spending about £200 a month due to not having a car.

Admiral replied that it thought the highest valuation should be discounted as it was an outlier compared to the other valuations it had found. 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 O wants a fair settlement for the loss of his car. He said that he'd seen similar cars advertised for about £23,000 and so he was disappointed with Admiral's offer. I was sorry to hear about his personal circumstances and that being without a car has added to his stress.

Mr O'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. 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 valuation 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 I've checked how she came to this conclusion. I can see that she looked in the motor valuation guides we use for cars of the same make, model, age, mileage, condition and optional extras as Mr O's car at the date of its loss.

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 motor guides, unless they are able to provide us with evidence which supports a lower valuation.

Admiral had provided a valuation of £15,463, which was the average of two of the valuations provided by the guides. But our Investigation found valuations ranging from £13,850 to £16,060. The optional extras didn't add value to increase this, which isn't unusual.

Mr O provided adverts for similar cars advertised at higher prices. And I have considered these and looked to see where the advertised cars are identical to Mr O's. But the cars in the adverts are either automatic, rather than manual like Mr O's, or they have much lower mileage. So I don't think they are comparable to Mr O's car.

Admiral also provided a list of cars advertised for sale which it said provided evidence to support its offer. But I can't see the details of the cars offered for sale. And I can see that the advertised prices are all higher than the offer Admiral made to Mr O. So I don't find this persuasive evidence that supports its offer.

I'm satisfied that Admiral hasn't provided persuasive evidence to support a lower valuation than the highest provided by the guides. And so I agree that Admiral's offer wasn't fair and reasonable as it wasn't made in keeping with our current approach and the policy's terms and conditions. I require it to increase this to £16,060 and pay Mr O the difference between this and its interim settlement, with interest.

I think Admiral should have offered Mr O the correct valuation in its first offer. And disputing this has caused Mr O trouble and inconvenience. Our Investigator recommended that Admiral should pay him £100 compensation for this trouble and upset. I think that's in keeping with our published guidance where the impact of an error has been felt over a month. And so I'm satisfied that £100 compensation is fair and reasonable.

I can see that being without a car has caused Mr O additional stress and costs for alternative travel arrangements at a difficult personal time. I was sorry to hear about this and I can understand that Mr O wanted an increased offer so he could replace his car. But we expect consumers to reasonably mitigate their losses. Admiral had paid Mr O an interim settlement. So he could have replaced his car and so have avoided these costs. And so I can't reasonably hold Admiral responsible for them.

Putting things right

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

1. Pay Mr O £597 more in settlement of his claim, adding interest to this amount at the rate of 8% simple per annum from the date of the interim settlement to the date of payment†.
2. Pay Mr O £100 compensation for the distress and inconvenience caused by its handling of his claim.

†If Admiral considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr O how much it's taken off. It should also give Mr O 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 O to accept or reject my decision before 10 March 2025.

Phillip Berechree
Ombudsman