The complaint

Mrs R and Mr R complain about the settlement that Admiral Insurance (Gibraltar) Limited offered them for the total loss of their car following a claim made on their motor insurance policy. Mr R is a named driver on Mrs R's policy and represents her in this matter.

What happened

Mrs R's car was damaged in a fire, and she made a claim on her policy. Admiral offered her £11,473.50, less the £150 policy excess, in settlement of her claim for its total loss. But Mr R was unhappy with this. He thought he couldn't replace their car for this amount and the valuation didn't take into account the factory-fitted options and the car's superb condition. He thought it would cost £3,000 more, as shown by adverts, to replace the 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 it should increase its offer to the highest of the valuations provided by the guides.

Admiral replied that it had provided Mrs R with a settlement that was in keeping with two of the valuations provided by the guides, discounting outlying valuations. As Admiral didn't agree, 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 Mrs R and Mr R want a fair settlement for the loss of their car. Mr R said he'd seen similar cars advertised for about £3,000 more and so he was disappointed with Admiral's offer.

I can see that Mrs R's policy provides for the car's market value in the case of its total loss. 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."

I'll explain 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.

Mr R 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 Mrs R's.

Our Investigator thought Admiral's settlement offer was fair and reasonable. So I've checked how she came to this conclusion. I can see she looked in the motor valuation guides we use for cars of the same make, model, age, mileage, condition and optional extras as Mrs R'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 guides, unless they are able to provide us with evidence which supports a lower valuation.

Admiral had provided a valuation of £11,473.50, which was the average of two of the valuations provided by the guides. The optional extras didn't add value as they had already been taken into account by the guides.

But the Investigator found that the highest valuation provided by the guides was £13,337. Admiral hasn't provided us with any evidence to justify paying a lower valuation than this. It said it had discounted a lower and higher valuation as they were outliers. But this isn't in keeping with our current approach, as I've explained above.

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 £13,337 less the policy excess.

From what I can see, Admiral sent Mrs R an interim settlement and it will now send her a further amount. As she has been without her money for some time, I think Admiral should reasonably add interest to the additional amount it will now pay Mrs R.

Putting things right

I require Admiral Insurance (Gibraltar) Limited to pay Mrs R a final valuation of £13,187 in settlement for the total loss of her car. Interest should be added to the difference between this and the interim settlement at the rate of 8% simple per annum from the date of the interim payment until the date of final payment.

If Admiral considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs R how much it's taken off. It should also give Mrs R a tax deduction certificate if she asks for one, so she 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 R and Mrs R to accept or reject my decision before 11 April 2025.

Phillip Berechree
Ombudsman