DRN-5449899

The complaint

Mrs K complains about how Admiral Insurance (Gibraltar) Limited settled a claim she made on her motor insurance policy after her car was written off.

What happened

Mrs K held a motor insurance policy with Admiral. After her car was damaged in a fire, she made a claim for the damage caused. Admiral accepted the claim and due to the damage decided to write the car off. To settle Mrs K's claim it paid her £14,807.67 (less the policy excess). It said this represented Mrs K's car's market value and the most it needed to pay under the policy.

Mrs K didn't think this was enough to buy a replacement vehicle and complained to Admiral. She said she had to pay £16,488 to purchase her new replacement car and thinks that's what Admiral needs to pay her.

Admiral didn't agree, it said it used three valuation guides which produced valuations of £13,890, £15,162 and £15,250 to achieve its valuation, close to the average of the three it used.

Unsatisfied Mrs K brought her complaint here. She provided a number of adverts for cars which she thought similar to hers for sale. Nearly all of the adverts were priced above Admiral's valuation.

Our Investigator thought Mrs K's complaint should be upheld. She didn't think Admiral had evidenced why it's offer, which was lower than the highest valuation guide figure was a fair value. She recommended it pay Mrs K the difference between that highest guide she obtained which was £15,475 and what it had already paid her. She also recommended Admiral pay Mrs K £100 for the distress and inconvenience caused by being paid a lower amount.

Admiral accepted this assessment. Mrs K didn't, she maintained paying her what she paid for her replacement was the fair settlement. Something she thought was supported by the adverts she'd sent in.

Our Investigator didn't change her opinion, so, the case has come to me for an Ombudsman's 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.

Having done so, I'm upholding it. I'll also be doing so for broadly the same reasons given by our Investigator. So, in line with our role as an informal service, I'll keep my explanation brief.

Mrs K's policy says the most it will pay in any claim is the market value of her car. It defines market value as *"the cost of replacing your vehicle; with one of a similar make, model, year,* *mileage and condition 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"*

How an insurer comes to calculate a vehicle's market value is its own business. It's not an exact science. But we have a set approach in assessing whether that value is fair.

We look at all the available valuation guides and see where the insurer's valuation sits with those guides. If the valuation is close to the highest available guide, unless there's other evidence to suggest a higher value, we're likely to say that the valuation is fair. We find these guides a reliable source of data and persuasive evidence in determining a vehicle's market value. They're based on nationwide data and take into account all the factors listed above when estimating a vehicle's value.

If however the value isn't close to the highest guide, we expect the insurer to evidence to us why that value, and not one toward the highest produced by the valuation guides is fair. Usually this will be by providing adverts or other comparable evidence to show that a car of *a similar make, model, year, mileage and condition* can be purchased with its valuation on the open market.

If it can't, or doesn't do that, we're likely to say the highest valuation produced by the guides is a fair market value, unless as above, there's other evidence to show that that figure also isn't enough and doesn't allow the policyholder to buy a vehicle that's *of a similar make, model, year, mileage and condition* to the one subject to the claim.

In Mrs K's case here, Admiral's valuation isn't close to the highest guide. It's the average of the three guides it used but it's below two of the three of them. When a fourth guide we use is introduced, Admiral's valuation becomes lower than the average of the four and below three of the four guides. Admiral hasn't provided us any other evidence to support its offer.

That means Admiral should use at least the figure produced by the highest of the available guides as the market value of Mrs K's car. For clarity that is £15,475.

I've considered whether a higher amount than this needs to be paid. But I'm not persuaded it does. Mrs K has sent us in a number of adverts, and while they are persuasive in that the show cars on sale that are *of a similar make, model, year, mileage and condition* as hers, I'm not persuaded they evidence that a suitable replacement vehicle couldn't be purchased for the highest valuation figure. I appreciate most the adverts are for vehicles for sale above £15,475, there are a few examples of vehicles on sale for less or very close to this amount. Also, the fact that there are vehicles on sale for more, doesn't in itself evidence there aren't vehicles on sale for less. So I'm not persuaded that Mrs K's evidence shows that a car *of a similar make, model, year, mileage and condition* to hers can't, or couldn't have, been purchased with the valuation produced by the highest guide.

I understand Mrs K has paid more to purchase a replacement, but ultimately she's not insured for the *actual* cost of her replacement (because that won't be an exact match to hers), she's insured for the market value of the car damaged by fire – which is determined by the factors explained above.

Not getting what you consider to be a fair value for your car following a claim will be both distressing and inconvenient. For that, I'm satisfied £100 is a reasonable amount in the circumstances of this complaint. Ultimately Mrs K was fortunate enough to buy a replacement, albeit at an increased cost. But nonetheless, having less money than you are reasonably entitled to would be distressing.

My final decision

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

- Pay Mrs K the difference between £15,475 and £14,807.67. 8% simple interest should be applied to this difference. Interest should be calculated from the date Admiral paid Mrs K the settlement of her claim to the date it makes this payment to her.

- Pay Mrs K £100 compensation for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 15 July 2025.

Joe Thornley
Ombudsman