

The complaint

Miss B complains Admiral Insurance (Gibraltar) Limited (Admiral) unfairly managed the settlement of her claim on her motor insurance policy after a total loss claim. She also complains about the level of service received.

What happened

Miss B made a claim on her motor insurance policy in June 2024 after her car was crashed into by a third-party. Her car was classed as a total loss.

Admiral sent Miss B information on her settlement calculations which detailed the total loss settlement amount and the deduction for the policy excess and the settlement amount payable. The amount of outstanding finance due on the car was quoted and the amount payable was sent to the finance provider to pay towards this outstanding amount.

Admiral cancelled Miss B's policy and informed her she owed £1,584.81 in outstanding policy premiums. Admiral didn't allow her to continue with the payment plan taken out at the start of the policy to pay for the outstanding premiums, she was told the full amount had to be paid.

Miss B bought a replacement car in July 2024 and obtained cover elsewhere. She wasn't told by Admiral that she may have been able to add this car to her policy before it cancelled it. She said had she been aware of this she would have continued her remaining policy term with Admiral.

Miss B was also unhappy she had to chase Admiral for updates, and she didn't get call backs as promised.

Admiral upheld all Miss B's complaint points. It apologised it hadn't made her aware of the deduction of the outstanding premium amount and didn't make her aware she could add a new vehicle to her policy. It also acknowledged the shortfalls in the service given which was due to backlogs and apologised for the level of communication received. It paid her £300 compensation for the distress and inconvenience caused.

Because Miss B was not happy with Admiral, she brought the complaint to our Service.

After the case was brought to our Service, Admiral increased its offer of compensation to £450. It said it felt this amount more fairly reflected the impact of its shortcomings. Miss B didn't accept this.

Our investigator upheld the complaint. They looked into the case and said Admiral should refund pro-rata policy premiums from 7 July 2024 to 10 December 2024. And add 8 % simple interest from 7 July 2024 to the date of refund. They thought the total of £450 compensation was a fair payment.

Because Admiral is unhappy with our investigator's view regarding a refund of pro-rata policy premiums the complaint has been brought to me for a final decision to be made.

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.

Admiral made Miss B its total loss settlement offer on 26 June 2024. It provided information on its calculations which included the total loss settlement amount minus the deduction for the policy excess and this left a settlement of £7,257.50. Because Miss B had outstanding finance on the car this amount was paid to the finance company leaving a small remaining finance balance to be settled by Miss B. There was no mention in this correspondence of any remaining policy premiums due.

I saw on 28 June 2024 Admiral noticed there was an outstanding amount due for policy premiums of £1,584.81. It contacted Miss B in July 2024 chasing payment of the full amount of outstanding premiums. She said she hadn't been made aware that these policy premiums were due to be paid, nor that she could add a new car to her policy. She said she had bought a new car in July 2024 and if she had been aware of this she would have added this car to her policy and continued to pay her premiums by instalments. Instead she had obtained cover elsewhere.

Miss B asked for a payment plan for the outstanding policy premiums but was told Admiral couldn't offer a payment plan as it had cancelled the policy. She was informed if she didn't pay the debt it would be taken to its hardship team. I recognise this will have been a very stressful time for Miss B and because she didn't want her credit score to be impacted she obtained the funds, by borrowing from elsewhere, and paid Admiral the full amount due in August 2024. I think it was unreasonable to think she could pay this amount without a payment plan.

Admiral have accepted it didn't make her aware she could add a new car to her policy; subject to its underwriting criteria.

The general expectation of an insurance policy, is to restore the insured back to the position they were in, before the claim incident. I recognise the policy terms require premiums to be paid by the insured if a claim has been made during the period of insurance. But regardless of policy terms, I would expect Admiral to have made Miss B aware her policy could continue for its term, if she added a replacement car (subject to underwriting criteria) within reasonable timescales, after the total loss.

Miss B's policy with Admiral was due to end on 10 December 2024 meaning it was likely she would not have needed to obtain new cover until her policy ended if Admiral had made her aware she could add a new car. However she had bought a new car and obtained alternative cover in early July 2024 which was before she was made aware there were outstanding policy premiums to pay and that she could've added a new car to her existing policy.

Although it isn't usual to tell an insurer to refund a part of a premium after there's been a claim, I think it is reasonable in this instance for Admiral to provide a refund of the premiums Miss B paid for her policy for the period she was denied its use and she lost out on the benefit of the policy.

Therefore, I uphold Miss B's complaint.

Putting things right

I require Admiral to;

- Refund the policy premiums paid from 6 July 2024 to 10 December 2024. This being the date she obtained alternative cover and the date her policy with Admiral was due to finish. 8% simple interest should be added to this amount from 6 July 2024 to the date Admiral pay the refund.
- Pay Miss B a total of £450 compensation for the distress and inconvenience caused to her when it cancelled her policy without notice or explanation. And additionally for the worry caused when trying to organise funds to pay for the unfairly charged premium to the end of the policy term.

My final decision

For the reasons I have given I uphold this complaint.

I require Admiral Insurance (Gibraltar) Limited to;

- Refund the policy premiums paid from 6 July 2024 to 10 December 2024. 8% simple interest should be added to this amount from 6 July 2024 to the date Admiral pay the refund.
- Pay Miss B a total of £450 compensation for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 28 May 2025.

Sally-Ann Harding
Ombudsman