

The complaint

Miss O complains about the amount Admiral Insurance (Gibraltar) Limited (Admiral) have paid to settle a claim she made on her motor insurance policy.

What happened

The circumstances of this complaint will be well known to both parties and so I've summarised events. Miss O's vehicle was unfortunately stolen and so she reported a claim to Admiral under her motor insurance policy. Admiral accepted Miss O's claim and said it would settle the claim by paying the market value of her vehicle. It ultimately valued Miss O's vehicle at £22,039. After deducting Miss O's policy excess and outstanding premium it paid £21,574.57 to Miss O's finance provider.

Miss O didn't think the settlement Admiral had paid was reasonable and so raised a complaint. She said she hadn't been made aware she was entitled to new vehicle replacement until she had already purchased a new vehicle and Admiral had paid a settlement to the finance provider despite telling her to place this on hold.

On 11 September 2024 Admiral issued Miss O with a final response to her complaint. It said the valuation it had placed on Miss O's vehicle was reasonable. It acknowledged it hadn't made Miss O aware of the new vehicle replacement until she had paid a deposit for a new vehicle. It also said it was obliged to send the payment to the finance provider, but understood it was agreed with a handler this wouldn't be done until Miss O agreed with the settlement. It paid £150 compensation to acknowledge the distress and inconvenience caused to Miss O. Miss O didn't think this was reasonable and so referred her complaint to this Service.

Our investigator looked into things. He said he thought had Miss O been offered new car replacement when she should have been, she would have accepted this, and the finance company had confirmed it would have accepted this. He said he thought Miss O hadn't received the benefit she was entitled to under her policy and Admiral should pay her the difference between what it had paid for the value of Miss O's vehicle and the amount it would have paid to provide Miss O with a new vehicle replacement. He said it should also pay 8% per year simple interest on this amount. He also thought Admiral should increase the compensation it had paid to £350.

Admiral said it would agree to increase the compensation to £350 but didn't agree it should pay an additional settlement. It said Miss O had only said she 'may' have gone ahead with the new vehicle replacement, and it didn't know what the new car replacement would have cost at the time of Miss O's claim.

As Admiral didn't agree with our investigator, the complaint has been passed to me to decide.

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 want to acknowledge I've summarised Miss O's complaint in less detail than she's presented it. I've not commented on every point she has raised. Instead, I've focussed on what I consider to be the key points I need to think about. I mean no discourtesy by this, but it simply reflects the informal nature of this Service. I assure Miss O and Admiral I've read and considered everything that's been provided. I've addressed the key points separately

Claim settlement

Admiral have acknowledged it failed to offer Miss O new vehicle replacement, which she would have been entitled to under the terms of her policy, until she had placed a deposit on a new vehicle. The terms of Miss O's policy state:

'4. New vehicle replacement

*If **your vehicle** is less than 12 months old and it is:*

- *Stolen and unrecovered*
- *Damaged and the cost of repair is more than 59% of the current UK list price (including VAT).*

We will replace your vehicle with one of the same model and specification. **We will only replace your vehicle if:**

- **You** are the first registered keeper
- The original purchase invoice is available
- It was originally purchased within **territorial limits**
- It was purchased under an agreement where ownership was passed to **you**
- Anyone with a financial interest agrees to settle the claim in this way.

*If **you** do not want **us** to replace **your vehicle**, or a vehicle of the same model and specification is not available from UK stock, the most **we** will pay is the **market value**.'*

Rather than settling Miss O's claim in this way, Admiral have settled Miss O's claim by paying what it considers to be market value for Miss O's vehicle, minus her policy excess and outstanding premium. I don't consider this to be reasonable in the circumstances and I'll explain why.

I'm persuaded by Miss O's testimony that had she been offered new vehicle replacement prior to placing a deposit on a new vehicle she would have accepted this. I think it was clearly more beneficial for Miss O to have a brand-new vehicle rather than receive market value for her vehicle which would leave her with an outstanding balance to pay to her finance provider. Additionally, the finance provider has confirmed it would have been willing to place a new vehicle on the existing finance agreement Miss O held with it.

In any event, Admiral have provided Miss O with a policy which provides her with a new vehicle replacement if her vehicle is stolen. And this would have been reflected in the premium Miss O paid. So, I don't consider it reasonable for Admiral to limit the settlement to Miss O to the market value of her vehicle at the time of loss when she was entitled to receive

a new vehicle under the terms of her policy.

As Miss O has settled the finance agreement and purchased a new vehicle, it wouldn't be sensible to require Admiral to now offer her the option of a new vehicle. Instead, it should pay Miss O the difference between what a new vehicle replacement would have cost it and the £22,039 it valued Miss O's vehicle at. It should also pay 8% per year simple interest on this amount calculated from the date it paid the original settlement to Miss O's finance provider to the date it pays this additional settlement to Miss O.

Admiral have said it is unable to say what the price of a new vehicle replacement would have been when Miss O's vehicle was stolen. If it is unable to demonstrate what the cost of a new vehicle would have been at the time of Miss O's claim, then it should use the price Miss O paid for her vehicle when she purchased the vehicle in January 2024.

Claim handling

Admiral have acknowledged it should have offered Miss O new vehicle replacement sooner than it has done and it wrongly set Miss O's expectations that it wouldn't send the settlement to her finance provider until she had agreed it. It has agreed with our investigator's recommendation to pay a total of £350 compensation, and so I've considered whether this is reasonable in the circumstances.

I think Miss O was caused distress due to the way Admiral handled her claim. It would have been upsetting for Miss O to learn she could have had a new vehicle to replace her old one after she had already arranged to purchase a new vehicle. I think she would have also been caused distress when she was made aware a settlement had been paid to her finance provider when she had been told this wouldn't happen.

Overall, I think the £350 compensation suggested by our investigator fairly takes into consideration the distress and inconvenience Miss O has been caused due to Admiral's errors. Therefore, it should pay Miss O a further £200 compensation bringing the total compensation to £350.

My final decision

For the reasons I've outlined above I uphold Miss O's complaint about Admiral Insurance (Gibraltar) Limited. I require it to:

- Pay Miss O the difference between what a new vehicle replacement would have cost it and the £22,039 it valued Miss O's vehicle at. If it is unable to demonstrate what it would have paid for a new vehicle replacement at the time of Miss O's claim, it should use the price Miss O paid for her vehicle when she purchased it in January 2024.
- *Pay 8% per year simple interest on this amount calculated from the date it paid the initial settlement to Miss O's finance provider to the date it pays the additional settlement due.
- Pay Miss O a further £200 compensation bringing the total compensation to £350.

*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 O how much it's taken off. It should also give Miss O a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 10 July 2025.

Andrew Clarke
Ombudsman