

The complaint

Mr W has complained about Admiral Insurance (Gibraltar) Limited's decision to reject a claim he made for fire damage under his car insurance policy.

What happened

Mr W's car failed to start and so he contacted a breakdown recovery company (BRC) for assistance. According to the BRC report, Mr W's car had failed to start. The BRC couldn't identify the fault at the roadside. They reported that they were following Mr W's car to a local garage – but isn't clear how or who was able to start Mr W's car.

The BRC reported that during the journey, a piston con rod 'blew' causing catastrophic engine failure. This led to a spillage of all of the oil from the car onto the road.

Mr W said the car engine caught fire and the BRC had to extinguish it at the roadside. Mr W made a claim to Admiral.

Admiral began the process of dealing with Mr W's claim as a total loss due to fire damage. It recovered Mr W's car to a salvage agent. And it provided Mr W with a hire car. However, when an independent assessor (IA) inspected Mr W's car, they said the cause of damage was mechanical failure. The IA said this was due to a lack of oil and said there was no evidence of fire damage.

On review of the IA report, Admiral told Mr W it wouldn't deal with his claim as no insurable event had occurred. Admiral's policy doesn't provide cover for damage caused by mechanical failure.

Mr W complained to Admiral. He was unhappy with the decision, with the conflicting information he'd received about his claim, and with the condition of his car when it was returned to him by the salvage agent.

Admiral upheld the complaint in part. It said its decision to reject the claim was correct. But it agreed it had provided conflicting information at times when dealing with the claim. For the distress and inconvenience caused by its poor service, it paid Mr W £125 compensation. Admiral said the salvage agent would respond separately to Mr W's complaint about the return of his car.

Admiral has provided a copy of the response from the salvage agent. It rejected Mr W's complaint. It provided images to show the condition of the car while in their care.

One of our Investigators issued three views. In his final view, he recommended Admiral deal with Mr W's claim for fire damage under the remaining terms and conditions of the policy. He found that the IA's initial cause of damage was incorrect, as they said there was no oil and no evidence of fire damage. But the BRC report said the oil and coolant levels were ok prior to the engine failure. And in an updated IA report, they acknowledged there was evidence a fire extinguisher had been used. So the Investigator didn't find the IA's opinion was as reliable as the BRC report and Mr W's account.

The Investigator thought Admiral should pay a further £200 compensation award for its poor service. But he thought the salvage agent – acting on Admiral's behalf – had shown its decision to reject Mr W's complaint was fair. He couldn't find evidence the salvage agent had caused further damage to Mr W's car when it was returned to him.

Admiral didn't agree. It said the BRC report doesn't mention there was a fire. And there is no evidence to support it. Even if the IA's comments on the oil levels changed, this doesn't mean an insurable event occurred. Admiral said from the evidence available, it shows mechanical failure happened first, so even if a fire occurred after, Mr W's claim isn't one covered under the policy.

So Admiral wanted an ombudsman to decide.

I issued a provisional decision on 28 May 2025. I thought on balance that Mr W's car had suffered mechanical failure and it was this that caused the fire. So as the mechanical failure occurred first, this wasn't covered under his policy with Admiral. This meant I didn't intend to uphold Mr W's complaint as I thought Admiral had fairly declined his claim.

Admiral didn't respond to my provisional decision. Mr W disagrees. In summary he's unhappy that I've reached a different decision to the Investigator. He says the impact of Admiral's rejection of his claim has been significant financially and to his health.

So the case has been passed back 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'm sorry Mr W is unhappy with my provisional decision. However, I haven't been provided with any new evidence to change my view. So my final decision is along the same lines as my provisional decision.

Admiral doesn't cover every incident that happens, but insurable events only such as fire, theft or accidents. It doesn't provide cover for damage caused by mechanical failure. I've looked at the report provided by the BRC. It says that Mr W's car failed to start and it wasn't possible to diagnose the fault or carry out a roadside repair. They said the oil levels were ok. The report reads:

"Vehicle will not start. Engine, broken shattered, non repairable, R/S not feasible. Engine oil was ok and coolant. Couldn't find fault so followed member to the garage.."

So the BRC reported that the decision was to follow Mr W's car while he drove it to a local garage. It isn't clear how or what led to Mr W's car being driveable again at this stage. But clearly the fact that Mr W required assistance was due to a breakdown.

During the journey, according to the BRC report, the engine suffered a catastrophic failure and this led to a major oil spillage on the road. The BRC report doesn't say there was a fire. But the IA's subsequent comments show they accept there was evidence of fire extinguisher use.

I understand that the IA initially reported no evidence of fire damage. And they reported that there was no oil which they said was the cause of the mechanical failure. But I don't think

this changes the outcome. I think even if there was a fire (I don't dispute that there was) – and a possible misdiagnosis of a lack of oil – it doesn't mean the cause of damage to Mr W's car was an insurable event. I think the oil spillage and engine failure happened before the fire.

I've seen no evidence to suggest there wasn't a failure with the engine before a fire occurred. This was the reason why Mr W called for assistance and is referred to in the BRC report. So the cause of damage to Mr W's car was mechanical failure. It seems the engine failure was the catalyst to the subsequent events.

Admiral's policy says it will not cover loss or damage caused by mechanical failure. This isn't an unusual term. So I don't think Mr W's claim was one covered under his policy with Admiral. And this means I don't intend to ask Admiral to deal with Mr W's claim. I think its decision to reject the claim was reasonable and in line with the policy.

I think Admiral could have communicated better with Mr W that his claim was still being considered as it instructed an IA to inspect his car. This happened two weeks after the incident. As Admiral had asked Mr W for the appropriate documents to settle his claim as a total loss, he understandably was under the impression his claim would be met. So for the poor service Admiral provided, I think it should pay compensation. I think the award it paid of £125 for the distress and inconvenience caused is fair and reasonable in this case.

Mr W complained that the salvage agent returned his car to him with a flat tyre, and in poor condition. The salvage agent provided images of Mr W's car while in their care to dispute Mr W's complaint. I'm satisfied from the information and response provided by the salvage agent that it was reasonable for it to reject this part of Mr W's complaint. As the salvage agent acted as an agent of Admiral's, I've included this complaint in my decision.

My final decision

My final decision is that I think Admiral Insurance (Gibraltar) Limited has done enough to resolve Mr W's complaint.

Mr W says he rejected the offer of compensation from Admiral. If it hasn't already done so, Admiral should pay Mr W £125 compensation for the distress and inconvenience caused by its poor service.

Admiral Insurance (Gibraltar) Limited must pay the compensation within 28 days of the date on which we tell it Mr W accepts my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision to the date of payment at a simple rate of 8% a year.

If Admiral Insurance (Gibraltar) Limited considers that it's required by HM Revenue & Customs to withhold income tax from that interest, it should tell Mr W how much it's taken off. It should also give Mr W a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 12 July 2025.

Geraldine Newbold
Ombudsman