

The complaint

Mr O complains about how Admiral Insurance (Gibraltar) Limited ('Admiral') handled a claim made on his car insurance policy.

What happened

Mr O contacted Admiral in September 2024 to make a claim on his car insurance policy after his car was damaged in an accident.

In October 2024, Admiral decided the car was a total loss and Mr O asked if he could retain it. Admiral also informed Mr O that it would need to cancel his policy now it had decided his car was a total loss. Mr O was dissatisfied that Admiral were cancelling the policy and retaining his premium, so he made a complaint.

Admiral provided a final response to this complaint on 4 October 2024. It said after a car is deemed a total loss, the policy is cancelled because it's a requirement under the terms for the insured to possess a vehicle and that under the terms, no refund of premium is due if there has been a claim on the policy.

After providing this final response, Admiral confirmed to Mr O it had valued his car at £3,115 and said if he wanted to retain it there would be a deduction of £560.70 made from the claim for the salvage value.

Mr O complained about Admiral deeming the car a total loss, saying that it had undervalued the car and overestimated the repair cost. Mr O also obtained some repair estimates and provided these to Admiral.

Admiral provided a final response to this complaint on 13 December 2024. It said its engineers had reviewed images of the damage to the car and deemed it uneconomical to repair and that under the policy terms it was entitled to decide how to deal with the claim. However, it acknowledged Mr O had to spend a lot of time calling Admiral, and hadn't received a call back he was promised, and hadn't received a response to some emails. In recognition of these issues, it compensated Mr O £160.

I issued a provisional decision upholding the complaint, and I said:

"I've firstly considered if it was fair for Admiral to deal with the claim as a total loss instead of repairing the car. The policy terms say Admiral can decide how to settle the claim and will either pay to repair the vehicle or pay a cash sum to replace the damaged vehicle. Although the terms gave Admiral discretion on how to settle the claim, I've considered if it exercised this discretion fairly. For the following reasons, I'm not persuaded that it did:

- Admiral deemed the car to be a Category N total loss. This means the car didn't have structural damage and was repairable but was deemed uneconomic to repair.*
- The exact level at which an insurer will deem a car uneconomic to repair may vary from insurer to insurer, but considering the return an insurer will make from the*

salvage of a vehicle, it isn't unusual for an insurer to write a car off when the cost of repairs is likely to exceed 60% to 70% of a car's market value.

- Admiral valued the car by checking three motor valuation guides. It said valuations were only available on two guides, and using an average of these two values it deemed the car's market value £3,115. Mr O initially provided two repair estimates from two different garages – one totalling £2,116.52 and another totalling £1,842.77. Based on these figures alone, using the lower repair estimate the repairs would cost 59% of the market value, which I don't find to be in an unusual or unreasonable range for an insurer to deem a car uneconomic to repair.*
- However, Mr O agreed a revised estimate with one of the garages which reduced the total cost of repairs to £1,556.25, or just under 50% of the market value of the car.*
- Admiral have also confirmed the salvage value of the car was £560.70. Based on the new estimate Mr O provided, this would mean the cost to Admiral of writing the car off was £2,554.30 compared to the cost of repairing it at £1,556.25. Based on these figures, it's difficult to see how repairing the car was uneconomic.*
- But Admiral said that Mr O's repair estimate didn't include the full range of damage and omitted damage to the front bumper, headlight and driver side alloy wheel in addition to omitting the cost of a wheel alignment pre and post reset. Additionally, the engineer suspected the suspension may be damaged.*
- Mr O says that Admiral only assessed the damage by looking at photographs, whereas the garage he took the car to carried out a physical inspection. The estimate Mr O provided says:*

"There is no impact to mechanical or hybrid components that would require safety procedures, diagnostics, or resets.

The suspension, alignment, tyre, and hybrid systems are unaffected and do not require repair."

In addition to this, Mr O has provided a copy of an MOT certificate which shows the car passed an MOT on 4 February 2025.

I've reviewed the photos Admiral provided of the condition of the car, but I don't think these clearly show visible damage to the front bumper and wing.

While I can't discount the possibility there may have been further damage to the car, on balance, I'm more persuaded by the evidence Mr O has provided to show the condition as this was based on a physical inspection of the car rather than just an assessment of photographs. As a result, I'm not persuaded Admiral has shown there was damage to the car which likely would have increased the repair cost from the £1,556.25 estimate.

- Admiral said its total loss settlement valuation was based on an average of two valuation guides. But unless it can show it would be unfair to do so, it's good industry practice for an insurer to pay the highest amount from motor valuation guides rather than an average. This is to avoid the risk of detriment to a consumer in not receiving a fair market value for their car.*

I asked Admiral to explain why it used an average instead of the highest valuation from the guides, but it didn't reply. So, I cannot safely say the £3,115 valuation was a fair market value. And if it was not, and the fair market value was higher than this, it would further have reduced the percentage of the cost of repairs to market value of the car.

I make no finding in this decision on whether the total loss valuation itself was fair. If Mr O does not think that it was, he would first need to make a new complaint directly to Admiral about that.

The policy terms gave Admiral the discretion on how to deal with the claim. But I don't think it exercised that discretion fairly here. It isn't unusual or unreasonable for an insurer to pay a total loss instead of carrying out repairs if it is likely to be more cost effective to do this.

Based on the original figures provided, the car was at the threshold of the range at which it isn't uncommon for insurers to consider a car may be uneconomic to repair. But the updated repair estimate lowered this even further. Admiral believed the car had more damage than was included on Mr O's estimate. But it never carried out its own physical inspection to confirm if this was the case. Instead, it just relied on photos. In contrast, Mr O has had a garage physically inspect the car and he has shown the car passed an MOT. So, I don't think Admiral has shown the car likely would have cost more to repair than Mr O's £1,556.25 estimate.

And since the salvage value of the car was known, and was relatively small at £560.70, when applied to the total loss valuation of £3,115 the cost of settling the claim by paying a total loss cash settlement was approximately £1,000 more expensive than the estimated repair costs. So, I think in the circumstances it wasn't reasonable for Admiral to deem the car uneconomic to repair and I think it should have dealt with the claim in line with Mr O's preference of covering the repairs.

Accordingly, I intend to uphold this aspect of Mr O's complaint and find that it would be warranted for Admiral to pay some compensation for the distress and inconvenience which was caused.

I've next considered if it was reasonable for Admiral to cancel the policy. The policy terms say if Admiral decides the car is a total loss it can stop cover immediately and cancel the policy. The terms also say if a claim has been made during the period of insurance the full premium must be paid, and no refund will be given.

Although the terms allowed Admiral to cancel the policy in the circumstance, I've considered if it did so fairly.

Looking at Admiral's claim notes, Mr O's comments, and Admiral's final response, I don't think Admiral gave Mr O any alternative to having the policy cancelled immediately after writing his car off. I think that was unreasonable and I think it caused Mr O some avoidable distress. I say this because it's good industry practice for an insurer to allow a customer reasonable time to buy a replacement vehicle to add to their existing policy - providing the new vehicle is one the insurer would cover. And Admiral hasn't shown it gave Mr O that option.

I've considered the impact of this, but I don't think it's been shown Mr O was materially prejudiced by Admiral not offering him some additional time to add another car on to the policy.

Ultimately, to avoid the cancellation Mr O would have needed to have bought a new car within a reasonable amount of time and Admiral would have needed to be willing to add this new vehicle to the existing policy. I asked Mr O what he did after Admiral said it would cancel the policy, but he didn't reply. So, I don't think I've seen enough to find that Mr O likely would have taken steps to avoid the cancellation had Admiral given him the opportunity. And as such, I don't find that his position was prejudiced, and he was caused an avoidable financial loss by Admiral's omission.

Mr O also said he wasn't provided with any refund of premium once his policy was cancelled.

Typically, under 12-month insurance contracts such as Mr O's, if there has been a claim paid in the policy year, the insurer is entitled to retain the premium in the event this policy is cancelled on the basis that by making a claim the insured has used the policy. Since the policy is an annual contract, in this situation regardless of if the policy is cancelled early, because the insurer has met its obligation under the policy by paying a claim, it is entitled to the full annual premium.

This is set out in the policy terms which say if the policy is cancelled, and a claim has been made during the period of insurance, the insured must pay the full premium and no refund will be given.

However, it could potentially be unfair for the insurer to retain the full premium if the claim amount is less than the annual premium. But I don't think that was the case here since the total loss settlement was significantly more than the annual premium. So, I don't find it unreasonable for Admiral to have retained the premium following the cancellation.

I think that Admiral treated Mr O unfairly by dealing with his claim as a total loss instead of agreeing to cover repairs and by not offering him any time to find a new car to put on to his policy. And I think this caused him some distress and inconvenience.

Admiral agreed to pay Mr O £160 compensation in its final response of 13 December 2024 in recognition of some communication issues on the claim. But considering these additional issues, I don't find that to be enough.

So, to put things right, I intend to require Admiral pay Mr O a further £200 for the distress and inconvenience caused by its handling of the claim, which I think is fair, reasonable and in line with our award levels."

Mr O replied accepting the provisional decision. But he said he has since accepted a total loss payment from Admiral but doesn't find the amount to be a fair market value. Admiral did not provide any reply.

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've reached the same position as I did in my provisional decision.

I acknowledge Mr O's comment about the total loss settlement value. But I consider this to be a new issue which has arisen after this complaint. Accordingly, if Mr O doesn't think the total loss settlement amount is a fair market value for his vehicle, he'll first need to take that up directly with Admiral as a new complaint.

Other than this, because Admiral and Mr O haven't provided me with anything more to think about, I find no reason to depart from the position I set out in my provisional decision. So, my final decision is to uphold this complaint for the same reasons I set out in my provisional decision.

Putting things right

I require Admiral to:

- If it has not already done so, pay Mr O the £160 compensation it agreed to pay in its final response of 13 December 2024.
- Pay Mr O an additional £200 compensation for the distress and inconvenience caused by its decision to write his car off and by not advising him of any opportunity to continue his policy with a new vehicle added to it.

My final decision

I uphold this complaint, and I require Admiral Insurance (Gibraltar) Limited to carry out what I've set out in the 'Putting things right' section of this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 11 August 2025.

Daniel Tinkler
Ombudsman