

The complaint

Miss K complains Admiral Insurance (Gibraltar) Limited (Admiral) unfairly settled her claim on her motor insurance policy after her car was stolen.

What happened

Miss K made a claim on her motor insurance policy after her car was stolen.

Admiral made Miss K an initial settlement offer of £14,108 which was increased £14,160.67 less the policy excess.

Miss K was not happy with the settlement amount. She said she had added expensive modifications to her car which had increased her policy premiums and felt it was worth a lot more than Admiral's settlement offer.

Because Miss K was not happy with Admiral, she brought the complaint to our service.

Our investigator upheld the complaint. They looked into the case and said Admiral should increase its settlement offer to £17,014.98 which included an amount for the modifications. They said 8% simple interest should also be added on the difference from the date the initial settlement amount was paid to the date of final settlement.

As Admiral is unhappy with our investigator's view 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.

In this case I have considered whether Admiral acted fairly and reasonably in reaching its decision as to the level of settlement offered to Miss K following her car being stolen.

My role is not to provide an exact valuation but to make a judgment as to whether the offer of settlement is fair.

I looked at the details within Miss K's motor insurance policy with Admiral. It says:
"Market Value – The cost of replacing your vehicle, with one of a similar, make, model, year, mileage and condition based on market prices immediately before the loss or damage happened."

Although this service doesn't value vehicles, we do check that the insurer's valuation is fair and reasonable and in line with the terms and conditions of the policy. We use valuation guides to do this, and they're based on nationwide research of likely selling prices and take the car's specifications, mileage etc into account.

This service doesn't consider the question of market value to be an exact science, however

our general approach is that the valuations given in the main motor valuation guides provide the most persuasive and consistent evidence. These guides are based on extensive nationwide research of likely (but not actual) selling prices.

I looked at the schedule of insurance and this detailed the following modifications to the car: *Alloy wheels (non standard), Exterior decorative changes, Side skirts/sills, Bodykit (non standard)*. Miss K said the valuation for her car should include the cost she paid for modifications of which she said the cost was just over £5,000.

I looked at the information Admiral used when calculating the market value for Miss K's car. I saw it obtained valuations from three of the main valuation guides. In this case Admiral offered £14,160.67 which is the average of the valuations. It didn't make any increase for the modifications because it said they were not covered under the terms of the policy.

I looked at the valuations our investigator obtained. They also used three of the main valuation guides. The highest of these four valuations was £14,550 and the lowest was £13,754. Our investigator said Admiral should pay the highest valuation of £14,550 plus an amount of £2,464.98 for modifications to the car which were a body kit and alloy wheels. They said a total of £17,014.98 should be paid.

Prices of used cars can change on a regular basis. This could be an increase or decrease. This is the reason why we take the approach that if Admiral can demonstrate that it used a fair process to value the car then we wouldn't interfere with the offer it has made.

We expect insurers to pay the highest of the valuation guides to ensure the consumer has received a fair offer, allowing them to replace their car with one of a similar make, model and specification, unless they are able to provide us with evidence which supports a lower valuation. In this case Admiral accepted the increase to the highest valuation suggested by our investigator, but it didn't accept it should cover the cost of the modifications. It said it didn't cover modifications even if they have been disclosed.

I looked at the terms and conditions of the policy and it says:

"5. We will not pay:

8. To replace or repair any modifications. Please read in conjunction with General condition 12."

General condition 12 says:

"Standard parts replacement

Your policy does not cover modifications.

If you make a claim for loss or damage to your vehicle, provided it is economical to do so, we will only pay the cost of replacing parts needed for your vehicle to meet the manufacturer's specification along with any optional extras/and or disability adaptations you have declared."

I am not persuaded this exclusion applies for a total loss claim. Admiral is not paying to *replace or repair* a modification; it is paying the market value of the car that was stolen. In this case I haven't seen any evidence of valuations being obtained for the same car with these specific modifications already completed. Therefore, we would expect the replacement cost to be the market value of a standard car, plus the cost of having it modified.

I saw when Miss K contacted Admiral to notify it of the modifications, it charged her an additional premium, so I think it reasonable for her to have thought they were covered. At this point Admiral should have pointed out the exclusion to her so she could have made an informed decision if to continue with Admiral or look for cover with an insurer who did cover them. I don't think it is fair or reasonable for Admiral to accept the modifications, charge extra for them and then not point out the policy doesn't actually cover them.

In this case I expect Admiral to pay the cost of a standard car, plus the modifications. Our investigator obtained three prices for the body kit and the alloy wheels and the average of these came to £1,339.95 and £1,013.33 respectively, plus the cost for the hub caps and badge at £111.70. A total of £2,464.98. I think this is a fair calculation for the modifications and should be added to the market valuation obtained for a standard car of £14,550. This gives a total market value of £17,014.98.

Therefore, I uphold Miss K's complaint.

Putting things right

I require Admiral to increase its settlement offer to £17,014.98. It should also add 8% simple interest on the difference between this higher amount and the amount already paid from the date the initial settlement amount was paid, to the date of final settlement.

My final decision

For the reasons I have given I uphold this complaint.

I require Admiral Insurance (Gibraltar) Limited to increase the settlement offer for Miss K's car to £17,014.98. It should pay 8% simple interest on the difference between this higher amount and the amount already paid from the date the initial settlement amount was paid to the date of final settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 14 August 2025.

Sally-Ann Harding
Ombudsman