

The complaint

Miss R complains about how Admiral Insurance (Gibraltar) Limited (Admiral) dealt with a claim on her motor insurance. References to Admiral include other organisations and individuals acting on its behalf.

What happened

Miss R had motor insurance underwritten by Admiral. Her car was involved in an accident and she made a claim on her insurance policy. The car was declared a total loss as it was deemed not economical to repair.

Admiral placed a value of £8,319 on the car. Miss R didn't accept this. Admiral then increased the valuation to £8,343.

Miss R said she would only accept Admiral's offer if it also paid the outstanding finance on the car on top of paying her the full value of the car. Miss R then received an email from the car finance company saying the outstanding finance agreement had been settled. Miss R wasn't happy with this as she says didn't authorise this and it shouldn't have been paid until she was happy with the total amount offered.

Miss R received £5,702.80, which was Admiral's valuation of the car of £8,343 less the outstanding finance of £1,890.20 and the excess of £750. Miss R said this wasn't enough to buy a similar car. She said as the accident wasn't her fault, the other driver's insurer should pay off the finance, and she would have been happy with a total settlement of £10,233.20 - £8,343 for the car plus £1,890.20 to settle the finance.

Miss R was also unhappy that Admiral arranged to take the car away before the claim was settled, as she still had some belongings in it. Admiral then mistakenly contacted Miss R saying she wanted to keep the car.

Finally Miss R was also unhappy that Admiral only provided her with a courtesy car until it paid the claim.

Miss R complained to Admiral. Admiral said:

"...The purpose of your insurance policy is to indemnify you following an insured loss, we do this by offering the current market value. The market value does not necessarily mean the price paid for the car or its perceived value...The market value is the price you could reasonably expect paying on the open market to replace the car with one of a similar make, model, and mileage. Valuing second-hand cars is not an exact science and for this reason we primarily use three guides which are recognised by the motor industry, courts and Insurance Regulatory Bodies...They provide details of market values for the vast majority of cars available in the UK. The retail prices are examined and compared from dealers returns of actual selling prices and the advertised prices of cars for sale.

We have reviewed your vehicle details and checked the valuation guide prices and considered evidence when available. We can confirm the current market value is £8,343.00.

Furthermore, I have reviewed the deductions applied to your valuation and I am satisfied these have been calculated correctly.

... I have reviewed the communication we sent to you and can confirm that we emailed you a total loss settlement letter explaining that we would pay the outstanding finance amount directly to your finance company. This is in line with the terms and conditions of your policy.

Additionally, I can see that we attempted to contact you by phone to confirm the settlement details. During this call, our handler would have explained that the finance company would be paid directly. As we followed the correct process and communicated this to you, I am unable to uphold this part of your complaint.

... I have reviewed the timeline of events and can confirm that [our agent] collected your vehicle as part of our standard process to safeguard it until the claim was settled. Once the claim was settled, [our agent] began the disposal process.

On [date], you informed us that you wished to retain the vehicle. As soon as we were made aware of this, we instructed [our agent] to place a safeguard marker on the vehicle to prevent further action.

As we followed the correct process and acted promptly once you informed us of your intention to retain the vehicle, I am unable to uphold this part of your complaint...

Miss R wasn't happy with what Admiral said and complained to this service. Our investigator partially upheld her complaint. He said that he had obtained valuations for Miss R's car from the motor valuation guides of £7895, £8440, £8639 and £8608. He said that this service's approach is that if the insurer's valuation isn't close to the highest valuation, to look to see if it's supported by other evidence to show it's enough to enable the policyholder to buy a like for like replacement vehicle. If it doesn't, this service is likely to direct the insurer to pay the value produced by the highest guide.

The investigator said he wasn't persuaded that Admiral's valuation was fair and reasonable because it wasn't in line with the highest valuation and Admiral hadn't provided any other evidence to show that Miss R could have replaced her vehicle with a lower amount. So he said the appropriate valuation would be £8639 and Admiral should increase the valuation by £296 plus interest less any excess and outstanding finance. The investigator didn't uphold the other parts of Miss R's complaint, saying that Admiral had acted within the terms of the policy by paying off Miss R's finance before settling with her, and that Admiral saying that she wanted to retain the vehicle was simply a miscommunication.

Admiral didn't agree so the complaint has been passed to me. Admiral said that the recommended increase was just over 3% above its valuation, which it considered a nominal difference and so it believed the offer remained fair and sufficient for Miss R to obtain a comparable vehicle. Admiral said this was in accordance with guidance on this service's website:

"If your valuation isn't the same or very close to the highest guide, we'd look to see if it's supported by other evidence, such as adverts or an expert's opinion".

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 uphold Miss R's complaint in relation to the valuation placed on her car but not in relation to

the other issues.

When considering this type of case, this service's approach is to use all the available evidence to assess whether the insurer acted in line with the policy terms and paid the policyholder a fair market value for their vehicle.

The insurer needs to show that the valuation is enough to allow the consumer to buy a replacement vehicle. That doesn't necessarily mean the insurer needs to offer the highest valuation available. But where an insurer has offered less than the higher valuation they need to evidence that what they're offering is fair and reasonable. If there's no other evidence, or the evidence isn't persuasive, to justify the lower value they've offered, it's unlikely we will agree the insurer has offered a fair market value for the vehicle.

Miss R's insurance policy documents with Admiral stated:

"What we will pay

We will decide how to settle your claim and will either pay:

- *to repair your vehicle*
- *a cash sum to replace the damaged vehicle.*

If we give you a cash sum, the most we will pay is the market value of the vehicle."

Market value was defined as:

"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 happened. Use of the term 'market' refers to where your vehicle was purchased. This value is based on research from industry recognised motor trade guides."

Admiral valued Miss R's car at £8343 which is the average of the guide valuations it obtained. Our investigator obtained valuations of £7895, £8440, £8639 and £8608. Most of these valuations are higher than Admiral's. I am not persuaded that Admiral has shown that Miss R could have replaced her car for £8343. I therefore think it would be fair and reasonable for Admiral to increase its valuation to the highest of the valuations this service obtained.

The policy documents also stated:

"If your vehicle is subject to a hire purchase agreement, we will pay any money owed to that company first and then pay any remaining money to you. If your vehicle is on lease or contract hire, we will pay the lease or contract hire company either the market value of the vehicle, or the amount required to settle the agreement, whichever is less."

Miss R had outstanding finance on her car. If there hadn't been an accident and she had kept the car, she would have had to have paid the full amount of the finance. If Admiral had paid her the value of the car and paid off the outstanding finance, Miss R would have been better off than if there hadn't been an accident. The purpose of insurance is to put the policyholder in the same position they would have been in if there hadn't been an incident leading to a claim, not to make them better off.

It was therefore fair and reasonable and in accordance with Miss R's policy terms and conditions for Admiral to pay off the outstanding finance and then pay the balance to Miss R.

Miss R's policy documents also said:

"If your vehicle is a total loss we can also:

- *Stop cover immediately and cancel your policy*
- *Take possession of your vehicle if we settle your claim on a total loss basis (the vehicle will become our property in those circumstances)."*

As Admiral deemed Miss R's car to be a total loss, under the terms and conditions of the policy it became Admiral's property. It is standard practice for an insurer to recover the vehicle in these circumstances and dispose of it as it sees fit unless the policyholder has said they want to keep the vehicle. Miss R told Admiral she had belongings still in the car and Admiral told her how to make arrangements to collect them. I think this was reasonable in the circumstances.

Admiral emailed Miss R saying she was *"potentially looking to retain the vehicle"*. While this is apparently incorrect, as Miss R says she only wanted her belongings from the car and not the car itself, I'm satisfied that it was an error and has not caused Miss R any detriment.

In relation to the courtesy car, the policy documents said:

"...Our approved repairers, or another company instructed by Admiral will:

- *arrange collection and re-delivery of your vehicle*
- *as an additional benefit of your policy, give you a courtesy car while your vehicle is being repaired."*

"IMPORTANT

...A courtesy car will not be provided if your vehicle is:

...

- *beyond economic repair..."*

As Miss R's car couldn't be economically repaired, she wasn't entitled to a courtesy car under the policy terms and conditions.

So I think that Admiral's valuation of Miss R's car wasn't fair and reasonable, but its handling of other aspects of the claim was fair and reasonable and in line with the policy terms and conditions.

My final decision

For the reasons given above I uphold Miss R's complaint in part. I require Admiral Insurance (Gibraltar) Limited to increase its valuation of Miss R's car to £8639 and pay her the difference between a settlement using this valuation and its original settlement, plus interest at 8% simple from the date of the original settlement to the date this additional amount is paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 22 December 2025.

Sarah Baalham

Ombudsman