

The complaint

Mr D complains about the manner in which Admiral Insurance (Gibraltar) Limited dealt with a claim on his motor insurance policy. Mr D told us he felt like he was being “scammed”.

What happened

Mr D insured his lease car with Admiral. In late September 2024 it was damaged when he drove through a flooded road and his car hit something in the water. The car was damaged underneath and the boot space became filled with water.

Mr D asked Admiral to repair the car under the terms of his policy. Admiral asked one of its approved repairers to do so. The repairer didn't want to work on the car so Mr D asked Admiral to move it to one of the manufacturer's repairers. The manufacturer's repairers estimated that the car would cost around £6,436 (including VAT) to repair.

In November 2024, Admiral decided that, for health and safety reasons, the car wasn't fit to be put back on the road and so said it was a total loss. It valued the car at £38,456. After deducting Mr D's excess of £1,000 it paid £37,456 to Mr D's lease company. The lease company valued the car at £44,920. Mr D had to pay the lease company the difference between its valuation and Admiral's settlement.

Mr D complained to Admiral that it had unnecessarily decided the car was a total loss and then undervalued it.

Admiral didn't uphold Mr D's complaint. He brought it to the Financial Ombudsman Service. One of our Investigators looked into it. He didn't think Admiral had dealt with Mr D fairly. So he recommended it increase the value of Mr D's car and pay him £500 compensation for the distress and inconvenience he suffered because of Admiral's poor handling of the matter.

Admiral didn't agree with our Investigator's assessment of the complaint; so the matter's 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.

Should Admiral have deemed Mr D's car a total loss

When deciding whether or not a car is a total loss insurers, generally, follow, a code of practice produced by the ABI¹. That code of practice sets out the various categories a car deemed to be a total loss might fall into. Of relevance to this complaint, insurers consider a car which is unsafe to return to the road, but can be dismantled and its parts reused, as what's known as a 'Cat B' total loss. Where a car can be repaired but it's uneconomical for the insurer to do so they're categorised as Cat N or Cat S – depending on the severity of the damage.

In this case Admiral's approved repairers said that they were unhappy to work on the car because it had been contaminated by flood water, the car had mould growing inside of it and they were concerned it would make their mechanics unwell. And after seeing photographs of

¹ Association of British Insurers

the car, as well as repairers estimates, Admiral's engineers decided the car was a health and safety risk and said it was a Cat B total loss.

Admiral is entitled to deem a car a total loss. But it needs to do so fairly. In this case I'm not persuaded that Admiral adequately considered all of the available evidence. I've seen screenshots of a message exchange between Mr D and the manufacturer's repairers. In that the manufacturer's repairers said it would be 'crazy' to deem the car a total loss. And they suggested that Admiral should speak with them before concluding the car wasn't safe to be put back on the road.

And it's apparent that the manufacturer's repairer had no qualms about working on the car, even though it had been damaged by flood water and had mould growing in it. But I don't think Admiral asked those repairers for their opinion on whether or not the car was safe to be put back on the road.

Further, when Admiral sold the car to its salvage agents, they didn't consider the car to be unsafe to return to the road and decided it was a 'Cat N' total loss. They then sold the car. The buyer repaired it and returned it to the road. If the car was so unsafe that it couldn't ever be return to the road, then Admiral was under an obligation, as set out in the ABI's code of practice, to mark it as such on an industry recognised database² to prevent that from happening. But it's apparent it didn't do so. And it seems that both the manufacturer's repairers and the salvage agents felt the car was safe to be returned to the road. But Admiral, without recording its findings properly, apparently concluded otherwise.

It's worth noting that Mr D asked Admiral about the possibility of withdrawing the claim and arranging repairs himself. He also later asked if he could keep the car after Admiral deemed it a total loss. On both occasions Admiral told him he couldn't have the car back because it was a Cat B and couldn't be returned to the road. But it then handed the car to salvage agents seemingly without putting that important Cat B marker on it.

Mr D told us he felt like he was being "scammed". I can understand why. If the car was a Cat B it wasn't safe to be returned to the road, by anyone, not just him. But someone else did exactly that, even though Admiral had told Mr D he wasn't allowed to take the same action. So I think Admiral's actions denied him the opportunity to decide whether to keep the car and repair it himself. I don't think that was fair. As a result he was left with no choice but to make up the shortfall between Admiral's pay out for the car and the lease company's valuation, when it's possible that he could have used a similar sum or less to have the car repaired himself. I can understand that this was a source of frustration as well as distress and inconvenience for him. I've set out below what Admiral needs to do to put things right.

The car's value

Mr D says Admiral undervalued his car. In particular because it had a factory installed upgrade which he believed increased its value by around £7,000.

Mr D's policy says that in the event that his car was a total loss the most Admiral would pay to settle the claim would be the car's market value. It defines market value 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."

I've considered if Admiral's offer to settle Mr D's claim is fair and in line with these terms. When looking into these types of complaints we check trade guides, adverts and other relevant evidence. We generally find the guides most persuasive as they're based on nationwide research of likely selling prices. So, they're often more reliable than individual

² MIAFTR – Motor Insurance Anti-Fraud Theft Register

adverts. And I've considered if Admiral's offer to settle Mr D's claim is fair and in line with our general approach.

Given the competitive market for second-hand vehicle sales, and to minimise the risk of detriment to the policyholder, the Financial Ombudsman Service feels that the starting point for any settlement should be the highest valuation returned by the trade guides. Then, if an insurer wants to pay less, it will have to evidence why that is fair. It might be that there's persuasive evidence, for example from adverts or independent reports, which suggests that it's another value, lower or higher, is fair in the relevant circumstances.

In this instance Admiral used three trade guides to value Mr D's car. Those were as follows:

Trade guide	valuation
Glass's	£39,550
Cap	£36,500
Auto Trader	£39,318

Admiral then took an average of those three guides to produce a valuation of £38,456. Taking an average of the three guides doesn't seem to sit in line with what I've set out above – that the expected starting point would be the highest of the trade guides. However, Admiral's shown us adverts from Auto Trader which offer similar cars to Mr D's for sale priced between £34,490 and £44,950. Some of those cars had similar or lower mileage to Mr D's car for a similar advertised price as Admiral's valuation. So I've thought very carefully about whether or not its valuation, below the highest of the trade guides, was fair.

As I've said above Mr D thought that Admiral's valuation was low as he didn't believe it reflected the upgrade his car had. I'll briefly explain that, while desirable to some drivers, factory fitted upgrades or optional extras don't necessarily increase the market value of a car. And when they do they rarely increase it by the sum the manufacturer charged to fit them. But the trade guides often do have capacity to take such upgrades or extras into account.

In fact I can see from its own notes that when looking into Mr D's complaint, shortly after it initially valued the car, Admiral ran some of the valuations again. It's notable that in terms of the Auto Trader valuation it said that the base valuation was showing at £37,629, and after adding the upgrade package it increased to either £37,951 or £39,190³ depending on the level of upgrade. So Admiral recognised that the upgrade could result in an increase in valuation, above £38,456, at that time.

Admiral hasn't provided us with copies of the above Auto Trader valuations. But it seems more likely than not that it made a mistake when entering the car's details when it received the above results. I say that because Admiral's given us a copy of its original Auto Trader valuation which (without the upgrade) gives a value of £39,318. Some of the trade guides' valuations may change over time, but it's extremely unlikely that the value would drop by £1,689 (£39,318 - £37,629) in a week or so. And the valuation we received when looking at the values some months later was over £41,000 (including the upgrade). So I'm satisfied that Admiral made a mistake when it produced the valuations between £37,629 and £39,190. However, what it does show is that the upgrade can increase the value of the car.

We looked into the valuation of the car ourselves, including the upgrade. I haven't included the Auto Trader valuation as that appears to have increased significantly in the five months or so between Admiral's valuation and our examination of it. As I've said some of the valuations can change over time as the trade guides update their algorithms. Admiral couldn't possibly have known what valuations the trade guides would produce in the future; so I don't think it would be fair to take into account Auto Trader's recent valuation.

³ Admiral's notes actually give this valuation as £29,190 but I'm satisfied that this is just a typo and should be £31,190

Additionally given the differences in values, to be as fair as possible we also used another trade Guide – Percayso. The valuations we received were:

Trade guide	Valuation
Glasses	£39,950
Cap	£36,500 + £3,600 for the upgrade = £40,100
Percayso	£40,494

Those figures are all significantly above Admiral's valuation of £38,456. It follows that I don't think Admiral's valuation was fair. And, as I've set out above, to minimise the risk of detriment to Mr D, I think it's fair to use the highest of the valuations that could have been available, which would be the Percayso valuation of £40,494. So I think it should pay the shortfall in its valuation to Mr D and, as he's been without the use of that money, add simple interest to that sum at a rate of 8% a year.

Courtesy car

Mr D also told us that he was unhappy that Admiral hadn't provided a courtesy car. His policy does say that Admiral would provide a courtesy car while his own car was being repaired. So I can understand that he would have expected Admiral to provide him with a courtesy car while his was with repairers.

However, the policy also says that that Admiral won't provide a courtesy car until repairs have been authorised. In this case Admiral didn't ever authorise repairs. Instead it eventually decided the car was a total loss. But it took it many weeks in which to arrive at that conclusion. In fact the approved repairers had the car for over two weeks, without doing any notable work on it, before telling Admiral it didn't want to repair the car.

In that period, as far as Admiral was concerned, Mr D was without transport. If it wasn't going to repair the car then I think it would have been fair and reasonable for it to let Mr D know of that promptly. Alternatively, as matters dragged on it would have been fair and reasonable for Admiral to have considered giving Mr D a courtesy car until it had made that decision. As it happens Mr D's confirmed that he did have access to another car during the period. So he could remain mobile. But I can understand why the absence of a courtesy car in this situation would have added to his frustration.

Putting things right

I require Admiral to:

- Settle Mr D's motor insurance claim based on a market valuation for his car of £40,494 minus the policy excess. It should pay the shortfall between the sum it paid to the lease company and the final settlement amount.
- Add interest to the sum it pays to Mr D for the shortfall. It should calculate the interest from the date it initially settled the claim up to the date of payment, less any interest already paid. The rate of interest is 8% simple a year⁴.
- Pay Mr D £500 compensation for his distress and inconvenience arising from Admiral's unfair handling of the matters discussed above.

My final decision

For the reasons set out above I uphold this complaint. I require Admiral Insurance (Gibraltar) Limited to take the steps set out under the heading of 'putting things right' above.

⁴ If Admiral considers that it is required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr D how much it has taken off. It should also give Mr D a certificate showing this 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 D to accept or reject my decision before 29 August 2025.

Joe Scott
Ombudsman