

The complaint

Mr M complains that Admiral Insurance (Gibraltar) Limited ('Admiral') didn't fairly settle his motor insurance claim following the total loss of his vehicle.

What happened

The following is intended as a summary of key events only.

Mr M held a motor insurance policy underwritten by Admiral. He contacted them to raise a claim following a road traffic accident in 2023. Admiral said his vehicle would be deemed a total loss and valued it at £20,000. Mr M opted to retain the salvage of the vehicle, so Admiral applied a £2,000 deduction - which represented 10% of the vehicle's valuation - in line with their usual salvage arrangements.

But Mr M didn't agree with the total valuation of his vehicle. He thought £20,000 was too low and raised a complaint. Admiral responded to Mr M's complaint but didn't uphold it. They said their settlement of the claim represented a fair market value for Mr M's vehicle.

Mr M remained unhappy with Admiral's handling of the claim – so, he brought it to this service. An Investigator looked into what had happened and ultimately recommended that Admiral should increase the total loss valuation to £35,000. Both Admiral and Mr M accepted this recommendation - but Admiral also said that because the revised valuation was above £20,000; a higher salvage amount would apply to the claim under their commercial arrangements. They said that the total salvage value would be £4,200.

The Investigator felt this was fair - and explained he'd been provided evidence from Admiral which demonstrated a higher salvage sum in line with the increased total loss valuation. But Mr M felt this was unfair. He said he had already agreed a figure of £2,000 to retain the salvage of the vehicle and considered that this was final. He said the agreement to purchase the salvage was a separate arrangement to the valuation of his vehicle - and said that Admiral never explained to him the salvage value might change if the valuation increased.

I issued a provisional decision of this complaint, and I said the following:

"I'd like to start by reassuring both parties that I've intentionally summarised the background to this complaint, so not everything that's happened or been argued is set out above. I've done this because the background circumstances of this complaint are largely undisputed, and both Mr M and Admiral have now agreed with the increased total loss valuation. So, while I've read and considered everything that's been provided - I've focused my decision on the remaining points in dispute. The crux of this complaint now comes down to whether Admiral can fairly apply a higher salvage deduction in line with the vehicles total loss valuation increasing to £35,000.

Mr M feels it's unfair for Admiral to increase the salvage deduction at this stage of the claim. He says he already agreed a figure of £2,000 to retain the salvage of the vehicle and he considered that to be final. He explained the agreement to purchase

the salvage of the vehicle was a separate agreement to the valuation of the vehicle itself - and he says Admiral never explained that the salvage value could change if the valuation later changed.

I've considered what both parties have said and the information available as part of this complaint. But I don't agree that the salvage deduction would not be linked to the total loss settlement. Salvage deductions form part of an overall total loss settlement and they're not a separate contract in their own right. I think they are an integral part of how the settlement figure is calculated – so, when a total loss valuation changes, I don't think it's unusual for the salvage deduction to change as well. I'm also satisfied this is consistent with how the wider insurance market operates, so I don't find that Admiral's actions are generally unfair here – provided they applied the deduction fairly.

Admiral sent us their salvage rates information, which shows how they calculated Mr M's new salvage total. This information is commercially sensitive, which means I can't share it with Mr M. I understand he is frustrated by this and has provided submissions as why this is unfair. But I should explain that we can only get this type of business sensitive information by assuring insurers that we won't share it. And our rules – specifically DISP 3.5.2(2), allows me to receive evidence in confidence when deciding a complaint.

I've checked the salvage information carefully, and having done so, I'm satisfied that it shows an established process when calculating Mr M's salvage value which would result in an increase in line with the total loss settlement. And I'm satisfied Admiral applied this approach in a fair manner. I also appreciate that Mister M has said the initial £2,000 salvage value was above the initial amount estimated at £1,400. But I don't find this in itself to be determinative of the complaint as a whole. It's usual for insurers to have commercial arrangements with salvage partners – which may be higher than what a private individual could achieve.

Ultimately, I think it was fair and reasonable for Admiral to apply a higher salvage deduction once Mr M's vehicle was re-valued at £35,000. I appreciate why Mr M feels the deduction should remain fixed at £2,000, but at the time he made that agreement with Admiral the overall valuation for the vehicle was still in dispute. I don't think I could reasonably or fairly conclude that it was final at that stage - because the underlying figure that the deduction was based on was still subject to change in the future. I therefore don't think it would be fair for Admiral to be bound to the original £2,000 salvage figure.

However, while I think it is fair for Admiral to apply the higher salvage deduction from the overall claim settlement, I do think they could have communicated this more clearly. From what I've seen of the complaint, Mr M wasn't told that the salvage deduction could increase if the vehicle's valuation also increased. And it's understandable that he feels surprised and frustrated by this update. I think it would have been good industry practise for Admiral to have explained this from the outset, so Mr M was fully aware of the potential implications when disputing the valuation.

So, while I don't think Admiral needs to change the way they have calculated the salvage deduction - I do think they should pay Mr M £100 compensation to recognise the inconvenience caused by their poor communication.”

I concluded that I intended to uphold the complaint and to direct Admiral to settle Mr M's total loss claim using a market valuation of £35,000, less the policy excess, and a salvage

deduction of £4,200. I also said I would ask Admiral to pay 8% simple interest on the total loss payment from the date of their original offer until settlement, as well as to pay £100 compensation for distress and inconvenience caused by their poor communication.

Admiral and Mr M both replied to my provisional findings. Admiral agreed and said they would raise payments in the way I had set out. But Mr M said while he accepted a salvage value forms part of a total loss settlement; he didn't think it was fair to increase the salvage amount. His main points were:

- He was quoted and agreed to a salvage figure of £2,000.
- There was no indication this figure could change.
- His vehicle was a rare model, so Admiral should have used bespoke salvage figures and not generic commercial percentages.
- Admiral's independent assessor had put a salvage figure of £1,400 on the vehicle and his own assessor had placed the value at £1,500 – even with the £35,000 vehicle valuation.
- Increasing the salvage value to £4,200 retrospectively would be unfair and unreasonable.

As both parties have now provided responses to my provisional findings – I will set out my final decision below.

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've carefully considered the further points Mr M has raised, but I remain of the view that the salvage deduction being increased in line with the valuation is fair and reasonable in the circumstances of this complaint. I do appreciate this is not the answer Mr M had hoped for, so I'll explain why I have remained of this view.

I appreciate Mr M's points that paying £2,000 for the salvage of the vehicle and taking possession of it meant he felt the matter was finalised, as well as his submissions of alternative salvage valuations. But as I explained in my provisional findings, my view is that a salvage deduction forms an integral part of the overall total or settlement and isn't a separate, concluded transaction.

So, when the vehicle's valuation increased, I think it was fair for Admiral to apply their established approach to recalculate the salvage figure in line with that higher valuation. I appreciate Mr M has obtained valuations which suggests a lower salvage value. And he says that Admiral's use of a bespoke valuation approach means they should use a bespoke salvage calculation. But I'm satisfied Admiral's calculations reflect the commercial arrangements insurers typically rely on, and I don't find them to be unfair.

I accept Admiral's salvage approach produces a higher figure above the valuations Mr M has referenced. But insurers are entitled to rely on commercial salvage arrangements, which can result in higher figures than those that might be achievable by a private individual. And in my view, it was reasonable for Admiral to apply their usual salvage process, even though the underlying valuation of the vehicle was determined by an assessor. The value of the vehicle on the market at the time of the loss, which is payable as a sum to Mr M, is not the same as the salvage value Admiral would retain as part of the settlement.

So, I don't agree that it would be unfair for them to use commercial percentage rates, and I'm therefore not persuaded that Admiral should be bound to the original £2,000 salvage

deduction. Ultimately, having considered this complaint very carefully, I'm satisfied the higher salvage figure of £4,200 was fairly applied once the total loss valuation increased.

I do accept that Admiral didn't explain this clearly to Mr M at the outset, and he wasn't told that the salvage deduction could change if the valuation later increased. I can understand why this left him feeling frustrated when the revised figure was applied. I think Admiral should have set out that possibility much more clearly, and that's why I'm upholding that part of the complaint and directing Admiral to pay Mr M £100 compensation to reflect any distress and inconvenience their poor communication caused.

My final decision

For the reasons I've set out above, my final decision is that I uphold this complaint. I direct Admiral Insurance (Gibraltar) Limited to:

- Settle Mr M's total loss claim using a market valuation of £35,000, less the policy excess and a salvage deduction of £4,200;
- Pay 8% simple interest on the total loss payment from the date of their original offer until the date of settlement; and
- Pay £100 compensation for distress and inconvenience caused by poor communication.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 2 October 2025.

Stephen Howard
Ombudsman