

## The complaint

Mr and Mrs S have complained about the way their motor insurer, Admiral Insurance (Gibraltar) Limited ('Admiral'), dealt with a claim they made on their policy.

## What happened

Mr and Mrs S have a motor policy with Admiral. Mrs S is the main driver and Mr S a named driver.

In April 2025 Mrs S was involved in an accident which rendered the car a total loss. She made a claim on her policy with Admiral.

Admiral made an offer of £4,125 for the market value of the car. Mr and Mrs S thought this was too low and didn't accept it. They also said they would retain the salvage and so Admiral deducted the salvage value from the market value. It made a "without prejudice" payment to Mr and Mrs S for the balance.

Mr and Mrs S weren't happy with the offer and didn't agree with it being made on a "without prejudice basis". They were also unhappy with Admiral's service and raised a complaint. Admiral agreed that it delayed asking for better quality photographs of the car when making its assessment and that at times its communication wasn't as good as it could have been. It offered Mr and Mrs S £200 compensation.

Unhappy with Admiral's response Mr and Mrs S brought their complaint to our service. They said the crux of their complaint was about the valuation and said the use of a "without prejudice" settlement was legally inappropriate. They added that they provided Admiral with evidence as to why the valuation should be higher but it didn't provide any supporting information to justify its offer.

One of our investigators reviewed the complaint and thought that Admiral should increase its offer to £5,429 based on valuations provided by recognised industry motor guides.

Admiral agreed to increase its offer to £5,429 but said that it would need to amend the salvage value it deducted because the salvage is now worth more based on the new valuation. Admiral said that it originally deducted £742.50 but with the higher valuation this means the salvage value would have been £1,302.96 so it would need to deduct the difference from the settlement amount. So it would pay Mr and Mrs S £743.54.

Mr and Mrs S didn't agree. They said the car had since been sold for £701.01 and if they had known it was worth more, they would not have agreed to this. They said it was unfair for them to be retrospectively penalised for this bearing in mind Admiral failed to reach a fair

valuation in the first place. They said they were over £600 out of pocket as a result of Admiral's actions.

Our investigator still thought that Admiral should pay Mr and Mrs S an additional £743.54 for the market value of the car. But he thought Mr and Mrs S may not have retained the salvage had they had all the necessary information. Our investigator said Admiral should also pay Mr and Mrs S an additional £600 compensation for the loss they suffered by selling the salvage for a lower price than what it was valued for.

Admiral didn't agree. It said trying to determine what Mr and Mrs S would or wouldn't have done is based only on hypothetical scenarios. It said it was their decision to retain the salvage, and it isn't responsible for them selling it for a price below its value. It offered a further £200 compensation instead of £600 but our investigator maintained his view. Mr and Mrs S said they were prepared to agree to £350 for the matter to come to a conclusion but Admiral didn't agree.

As there was no resolution the matter was passed to me to decide. Before I issued my decision, I asked our investigator to clarify to Admiral that my decision would be based on our investigator's view that it should pay an additional £600 compensation. I added that in my view Mr and Mrs S had been put in a worse position by the initial low valuation because, on balance, had they known the salvage was worth around £1,300 and not £700 they would not have sold it for £700. And this is regardless of whether they would have kept the salvage or not. Admiral did not agree, and I decided to proceed with my decision.

### **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.

As the issue of the valuation has been resolved, I won't be going over that in my decision. As I said above, Admiral has now agreed that the market value should be £5,429 instead of £4,125.

Admiral has provided evidence to show that the salvage value is £1,302.96 based on the higher valuation. So this is the amount it would have deducted from the £5,429 and not £742.50. It says it should, therefore, be able to deduct the difference between the old and new salvage value now the market value is higher. It has paid Mr and Mrs S £3,222.50 after deducting the £160 excess and £742.50 for the salvage value from the £4,125 valuation. It said this means it should now pay Mr and Mrs S £743.54 this being the difference between £3,222.50 and the £3,966.04 it would have paid based on the new valuation and new salvage value. I agree that based on the new valuation, Admiral should have paid Mr and Mrs S £3,966.04 so it must now pay them the difference which is £743.54.

Nevertheless, I agree that it should also compensate them for the loss they suffered when they sold the salvage for £701.01, around half its true value. Mr and Mrs S said if they knew this was the salvage value they would not have retained the vehicle. Admiral says, concluding that they would not have retained the salvage is based purely on hypothetical scenarios and that it was their decision to sell the salvage for £701.01 and Admiral should not be held accountable for this.

My decision is based on what I think would have happened, on the balance of probabilities, had it not been for Admiral initially undervaluing the car. And my aim is to put Mr and Mrs S back in the position they should have been in, but for Admiral's error.

I think whether Mr or Mrs S decided to retain the salvage or not doesn't really affect the outcome of this complaint. I think the crux of the matter is that when Mr and Mrs S made their claim to Admiral they were told that the value of the salvage was £742.50, and it was based on this information that they took subsequent action. Admiral now accepts that £5,429 is a fair valuation. This means that Admiral did not act fairly and reasonably when it initially made the lower offer. Had Admiral acted fairly and reasonably from the outset, it would have offered Mr and Mrs S £5,429. And had that been the case it would have also made them aware of the fact that the salvage value was £1,302.96. Based on that information, Mr and Mrs S would have either decided to retain the salvage or let Admiral keep it. If they agreed for Admiral to keep the salvage, then their settlement would have been £5,429 less the £160 excess i.e. £5,269. And if they had decided to retain the salvage, Admiral would have deducted a further £1,302.96 from that amount. But when Mr and Mrs S would then go on to sell the car, they would have been aware of its true value. And with that knowledge, I think it is more likely than not that they would have sold the salvage for something closer to £1,302.96 and not £701.01.

I think it is more likely than not that Mr and Mrs S only agreed to sell the salvage for £701.01 because this is what they believed it was worth; based on what Admiral told them. So I think, on balance, Admiral is responsible for them selling the salvage for less than what it was worth. And, as I said above, had Admiral made a fair valuation offer in the first place, this would have been avoided. It follows that I think it is fair and reasonable that Admiral compensates Mr and Mrs S for this loss, and I think £600 is fair and reasonable in the circumstances taking into account the difference between the two salvage valuations.

I understand Mr and Mrs S have received a partial settlement on a "without prejudice basis" and have now cashed the £200 compensation cheque sent by Admiral. They were also unhappy with the use of "without prejudice" by Admiral and believe this would have precluded them from referring to this offer if the matter were to ever go to court. The use of the term "without prejudice" is very common in insurance and it is also standard industry practice for insurers to make such payments when there is a dispute about the amount offered. This enables them to make interim payments to enable their customers to minimise their losses (for example by getting a replacement car etc) whilst at the same time being able to carry on disputing the settlement. I think Admiral's actions in this regard were fair and reasonable.

### **My final decision**

For the reasons above I have decided to uphold this complaint. Admiral Insurance (Gibraltar) Limited must pay Mr and Mrs S a further £743.54 for the market value of their vehicle plus 8% simple interest per year from the date it made its original payment to the date it pays them. And it should also pay them £600 compensation for the loss they suffered from the sale of the salvage. This is in addition to the £200 it has already paid.

Admiral Insurance (Gibraltar) Limited must pay the compensation within 28 days of the date on which we tell it Mr and Mrs S accept my final decision. If it pays later than this it must also

pay interest on it from the deadline date for settlement to the date of payment at 8% a year simple.

If Admiral Insurance (Gibraltar) Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr and Mrs S how much it's taken off. It should also give Mr and Mrs S a tax deduction certificate if they ask for one so they can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs S to accept or reject my decision before 6 January 2026.

Anastasia Serdari  
**Ombudsman**