

The complaint

A company I'll refer to as J complains about how Admiral Insurance (Gibraltar) Limited has dealt with a claim in made on its commercial motor insurance policy.

Mr E the owner of J, brings the complaint on its behalf.

What happened

A vehicle leased by J was involved in a non fault accident and was declared as uneconomical to repair by Admiral. Under the terms of the insurance policy Admiral paid the settlement value of the finance agreement to the lease provider.

Mr E was unhappy about this because an advanced payment on the lease agreement had been paid which J had not received the benefit of. Mr E also said that there was a term in the lease agreement which would have allowed J to act as a selling agent for the vehicle, and it would have been able to benefit from 95% of the sales proceeds with 5% being retained by the lease provider. Mr E believes J should be paid any excess amount over that which the lease provider requested up to 95% of the value of vehicle because this is what J has missed out on receiving.

Admiral considered the complaint but didn't change its position. It did however recognise the claim journey was not as smooth as it could have been, highlighting specifically that call backs had not been made to Mr E. It offered £100 compensation.

Mr E remained unhappy and brought the complaint to this Service. An Investigator considered the complaint. She thought Admiral should provide a further payment to J to reflect the unused portion of the advanced payment. And she also thought the compensation payment should be increased to £200 to better reflect the impact the poor claim journey had on J and Mr E.

Admiral agreed with the Investigator's opinion and said it was happy to make the recommended payments to J to resolve the complaint.

Mr E said he was happy the Investigator was recommending Admiral pay the unused proportion of the advanced rental and he accepted the increased compensation payment. However, he still believed J should be paid the remaining market value as it would have been entitled to this had it exercised the sales term in the lease contract. Mr E also pointed out that the lease provider had asked for an additional £205.31 to settle the agreement as the amount Admiral had paid was too little.

The complaint has been passed to me to decide.

My Provisional findings

I issued my provisional findings on 11 December 2025. I said I intended to uphold the complaint for the following reasons:

"The settlement of the claim

The vehicle was considered as a total loss under the policy. The issue is how this was settled.

The policy says that, where there is a claim the relevant option for Admiral is to pay the cost of the loss. The policy also says that in situations where there is a claim for total loss, settlement is normally made to the legal owner. In terms of this complaint, this means I need to consider whether Admiral paid J (either directly or indirectly) the cost of the loss. Where a vehicle is taken out under a finance agreement, the owner usually remains the finance company for the length of that agreement, as is the case here. What happens at the end of the finance term is then dictated, in part, by the terms of the finance agreement.

With a hire purchase agreement, ownership will often transfer to the customer. So, when considering a claim about a vehicle acquired under such an agreement, it is often reasonable to consider the customer has an interest in the vehicle even before the end of the agreement. And that they lose this when the vehicle is lost – even though the legal owner at that point remains the finance company. So, we would normally consider it appropriate that an insurer takes this into account when settling the claim.

With a standard lease agreement, the customer is merely paying to hire the vehicle. They are not gaining any interest of their own in the vehicle, and the vehicle remains fully the property of the finance company. At the end of the agreement, the vehicle is returned to the finance company, and the customer would have no residual rights.

So, where there is a loss of the vehicle during the lease agreement, all the customer loses is the ability to continue to hire that vehicle. But they still have a financial commitment to pay the remainder of the lease. If the insurer pays off the remainder of the lease though, the customer doesn't have to make those payments – and can instead hire a different vehicle. But significantly, no payment is due to the customer as they have not lost their vehicle or any interest in that vehicle. (There are some side issues to this relating to, for example, the advanced payment paid – but it isn't necessary to set these out here.) I'll explain them where relevant later.

The finance agreement J had was a less common a lease agreement that contained clauses which set out that, at the end of the lease period or upon early termination (with all outstanding amounts having been paid), the vehicle would be sold and J would retain 95% of the price achieved. This would not result in J having ownership of the vehicle (at least not without buying it subsequently from the third party it would have been initially sold to). So, this agreement cannot be accurately described as a hire purchase agreement. However, the fact that J would be entitled to 95% of the sale price, would have effectively allowed it to obtain a beneficial interest in the vehicle. And I consider that it is fair and reasonable that, this is taken into consideration when settling a claim relating to such a vehicle. As, this potential beneficial interest could form part of the "cost of the loss".

However, to calculate any appropriate settlement figure it is necessary to take into account a number of points.

Firstly, in order to reach the point where the finance agreement has come to an end, J would have had to continue to make the payments under the agreement. The finance company has said that there was around £13,000 remaining under the agreement. And this would need to be paid before there was any opportunity to sell the vehicle. Had there not been an incident resulting in the total loss of the vehicle, J would've had to pay this sum. As there was, Admiral has settled this amount with the lease provider.

Secondly, it is necessary to think about what the value of the vehicle would have been at the point of loss as, J's potential beneficial interest in the vehicle would only be realised at this point. So, it is the value of the vehicle at that point that would lead to the potential sale price and ultimately to the rebate J might get.

The market value in June 2024 was assessed by Admiral to be £19,084. So, 95% of that amount would have been £18,129.80. But I've not seen anything to suggest J had any plans to terminate the agreement at this point, or indeed, at all.

It is also necessary to think about whether that value that could be achieved, should J have been given the opportunity to sell the vehicle, rather than it being a total loss at that point. So I'd need to consider here whether J would have been able to achieve the full market value from selling to potentially everyone (the retail value), or the trade value which is expected from selling to the wholesale market – often dealerships or businesses.

The lease provider has confirmed it would have used the retail value of the vehicle as the basis of the 'fair market value' it would have invoiced any potential new owner for. However, this doesn't necessarily mean this would be the value the vehicle would have sold for. I am mindful that this is a commercial vehicle that is often sold at 'trade' prices so it is quite possible that while the finance company would have sought a higher value, a potential buyer may have only wished to purchase at a value closer to the trade amount which was roughly £16,496. (based on the valuation guides we refer to determine a vehicle's value). So J's loss here could potentially only have been entitled to 95% of that value which works out to be £15,671.20. (after he'd paid the £13,000 to settle the agreement).

Currently Admiral has paid towards the outstanding settlement value for the vehicle. And it has also agreed to pay a pro rata amount of the upfront payment J made towards the vehicle to reduce the monthly payments. So, in total its paying in the region of £17,101.44 to settle the claim. (£12,810.18 settlement amount plus £4291.26 pro rata payment)

Given that there is no certainty about the value J may have been able to achieve for the vehicle and its rebate could have been anywhere in between £18,129.80 and £15,671.20. I think the current amount Admiral has agreed to pay (the outstanding finance plus the pro-rata payment) is fair and reasonable to reflect the loss J has experienced. The pro-rate payment is towards the higher end of any estimated loss.

There is a dispute about whether Admiral has actually paid the full amount the lease provider required to settle the agreement, and it does appear there is a difference between the amount that was requested, and the amount Admiral paid. Mr E has said J was asked to make an additional payment of £205.31 so Admiral will need to look into this to ensure it has paid the correct amount to settle its liability here. Mr E should provide further detail to Admiral about this amount and if Admiral finds it is related to the settlement of the agreement it should reimburse J this amount plus interest at 8% simple from the date J made the payment. If Admiral believes it paid the required amount, perhaps due to the deduction of any applicable excess, then it will need to explain this to J.

Admiral recognised the claim journey J experienced could have been better. Mr E when dealing with matters was promised call backs which didn't happen, and he had to chase for progress on multiple occasions. It awarded £100 compensation.

I understand Mr E was offered the use of a non fault service which is operated by a different company to Admiral, and he experienced issues with this in relation to a courtesy vehicle and how quickly it needed to be returned. This was a service that was available to Mr E to use, and I can't say Admiral did anything wrong by making him aware of it or can I hold it responsible for some of the issues he later experienced.

I understand the confusion around the finance agreement J had entered into caused a degree of inconvenience as Mr E had to correspond with the parties more than usual. However, as I have acknowledged above, the way in which the agreement was set up isn't common and as such, I don't think Admiral were incorrect to ask the questions it did about it.

Similarly, the issue of the outstanding tax on the finance agreement again wasn't something Admiral would have necessarily known the answer to, so I don't think it dealt with his queries incorrectly.

Overall, I think J was caused inconvenience by the way in which Admiral dealt with the claim and as such, I think a fairer amount of compensation to reflect this would be £200.

Mr E has commented on the delay in pursuing his excess and loss of earnings. If Mr E is unhappy with this then he will need to raise this on J's behalf separately with Admiral. A new complaint can then be registered with this service if Mr E is unhappy with its response.

Putting things right

To put things right Admiral should do the following:

Make a payment of £4,291.26 to reflect the unused portion of the advance payment J made. It should add interest at 8% simple on this amount from 25 July 2024 to the date it makes payment to J.

Consider the additional payment of £205.31 that J was asked to pay by the finance provider. If it finds this amount does relate to the settlement of the finance agreement, then it should reimburse this amount to J plus interest at 8% simple from the date J made the payment.

Pay £200 compensation to J. (less any amounts already paid".)

Responses to my Provisional decision

No response was received on behalf of J.

Admiral responded saying it agreed with the outcome. It confirmed it had already paid £100 compensation so would make a payment for the remaining £100.

It also confirmed the amount it sent to the lease provider was less the excess J had to pay under the policy. It says if the amount £205.31 was requested after it had released the payment then this would be something J would need to take up with the lease provider.

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 noted what Admiral has said about the deduction of excess from the lease settlement payment, and this is fair and reasonable. The excess amount is something J agreed to pay when setting up the policy. However, the timing of the payment request by the lease provider maybe something J needs to consider further. If it believes Admiral should be responsible for the payment, then it will need to approach Admiral with the relevant information for this to be considered further.

Having considered everything, I see no reason to change the outcome I reached in my

provisional decision. So, for the same reasons as set out in my Provisional findings above, I uphold this complaint. I don't think Admiral settled the claim in a fair and reasonable way.

Putting things right

To put things right Admiral should do the following:

Make a payment of £4,291.26 to reflect the unused portion of the advance payment J made. It should add interest at 8% simple on this amount from 25 July 2024 to the date it makes payment to J.

If provided with further evidence by J, it should reconsider the additional payment of £205.31 that J was asked to pay by the finance provider. If it finds this amount does relate to the settlement of the finance agreement, rather than the impact of any shortfall caused by the excess payment, then it should reimburse this amount to J plus interest at 8% simple from the date J made the payment.

Pay £200 compensation to J. (less any amounts already paid)

My final decision

My final decision is that I uphold J's complaint against Admiral Insurance (Gibraltar) Limited and direct it to put things right as I have set out above

Under the rules of the Financial Ombudsman Service, I'm required to ask J to accept or reject my decision before 3 February 2026.

Alison Gore
Ombudsman