

The complaint

Miss F and Mr H complain that when they claimed on their motor insurance policy Admiral Insurance (Gibraltar) Limited didn't pay them enough for their written-off vehicle.

What happened

After Miss F and Mr H's vehicle was badly damaged in a non-fault accident, Admiral offered them £18,064 for it. It said that sum was the average of three of the national trade guides' valuations. It pointed out that making improvements to the vehicle didn't necessarily add value to it, as Miss F and Mr H believed. Admiral provided 50 adverts for what it thought were similar vehicles. Miss F and Mr H said there were only 15 fairly close matches, with an average asking price of £22,825. And they said they had paid more for cover that included modifications and had valued the car at £21,000 when they took out the policy.

One of our Investigators reviewed the complaint. He reviewed the national trade guides, which are used by us and by insurers to try to establish a vehicle's market value. Their valuations were between £16,225 and £18,420. The Investigator concluded that Admiral's offer was fair, as it was close to the guides' top valuation. He said the value of the vehicle set out in the policy documents initially was only an estimate.

As there was no agreement, the complaint was passed to me for review. I issued a provisional decision, upholding the complaint, along the following lines:

Mr H told us he was concerned that the ombudsman reviewing this complaint should see everything on the file. I can confirm that I've read all the documents and that I've listened to the call recordings, but I won't be commenting on every point made by the parties. I'll concentrate on what I think are the main issues.

I think the policy wording is clear in stating that the most Admiral will pay in the event of a vehicle's loss is its market value. It's standard practice for insurers to ask consumers to estimate a vehicle's value when they take out cover, to give a general idea of what it's likely to be worth. But insurers aren't bound by these estimates, which are subjective and based on a consumer's opinion. Sometimes, consumers take out an agreed value policy (which often costs more than a market value policy) but that doesn't apply here.

Miss F and Mr H refer to having taken out a modified policy, for which they think they paid more than they would have done for a standard one. But I haven't seen anything to show the policy cost more to include changes made to the car after it left the factory. It seems to be a standard, comprehensive policy, albeit with 'gold' level cover, that includes extra items such as motor legal protection and an increased sum for lost personal items.

Insurers usually ask consumers about modifications to their vehicles before providing cover, as some modifications may not be acceptable to them. In this case, the vehicle's body kit is set out in the modifications section of the proposal form as an optional extra, but as it was factory fitted, it's unlikely that Admiral charged more for it. The notes show that Miss F asked Admiral later on whether modifications would be taken into account in the valuation. It isn't

clear why the advisor asked for invoices, as Admiral says it doesn't cover modifications. But the advisor said she couldn't make any promises, given the policy's terms and conditions.

The policy says Admiral won't pay to replace modifications, and if a claim is made for damage, it will only pay for the parts needed to meet the manufacturers' specification, including its optional extras. Miss F didn't have any invoices for extra modifications, as the car was bought from a private seller, and most of them were done by a previous owner. Admiral said Miss F and Mr H could remove the vehicle's canopy and other extra items, in order to sell them. They said they couldn't, as it would have damaged the vehicle, and because some of the modified parts had been damaged already during its recovery.

We think the starting point in valuing a vehicle should be a review of the national trade guides, as they're based on extensive national research that's updated regularly. In general we think an insurer should offer the top valuation shown in the guides, or close to it, unless it can show why that wouldn't be reasonable. In this case Admiral offered the average sum it found in three of the guides. We checked four guides and requested a bespoke valuation. We found that the valuations Admiral had used were correct, although it didn't offer the top valuation shown in the guides.

In these circumstances, we look at any extra available evidence from the parties to see if it shows the trade guide valuations may not be accurate. The 50 adverts Admiral provided showed vehicles of the same make, model and year of manufacture, but as Miss F and Mr H pointed out, there are huge differences between the mileages on the cars and their asking prices. Even the 15 vehicles they told us they thought were the most similar to theirs weren't similar to each other in terms of price or mileage. The price range across them was £6,496. The mileage on their vehicle was 77,741. The two vehicles closest to theirs - with mileages of 78,000 and 79,000 - were priced at £23,900 and £17,499 respectively.

Given the lack of consistency, I don't think it would be appropriate to use the average price from the 15 examples (£22,285) as Mr H and Miss F have suggested. And I don't think the full range of adverts is helpful in determining the vehicle's market value. If that's the case, in my opinion the top trade guide valuation should have been offered, and I don't think Admiral has shown why it didn't offer it. At £18,420, it's only £356 more than the sum already offered and it falls far short of the sum Mr H and Miss F want for the vehicle. But – subject to any further representations from the parties - I'm minded to conclude that it would be fair and reasonable for Admiral to pay it, plus interest.

In response, Admiral agreed there was a lack of consistency between the adverts, but it didn't think that justified the proposed increase in the settlement sum.

Miss F and Mr H said as the average price of the two vehicles closest to theirs in mileage was £20,699, that sum would be a fairer offer. They referred again to having been asked for receipts for the modifications to the vehicle, which they believe shows Admiral does take them into account. And they said vehicles with similar mileage but fewer enhancements than their vehicle were listed at higher values. They also said Admiral had agreed to cover the modifications they had declared on other vehicles it insures for them currently.

Admiral said Miss F and Mr H had been asked about optional extras on the car, not modifications and reiterated that modifications aren't covered.

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 can see why Miss F and Mr H were confused by being asked for invoices when they queried in a call whether modifications were covered, and I still don't think it's clear why that happened. But I think the policy wording is clear about them *not* being covered, except for the manufacturers' specification and for disability adaptations (but only if specified and accepted at the start).

In agreeing to insure the modified vehicles owned by Miss F and Mr H, I think Admiral merely accepted them with their stated modifications, rather than deciding not to cover them because of the modifications. Sometimes insurers won't provide cover, depending on the type of modifications that are declared. In my opinion, Admiral hasn't agreed to pay for the modifications if they are damaged, or to pay for them as part of any future market value settlement. But it doesn't look as if that was explained to Miss F and Mr H.

The two vehicles closest in mileage to Miss F and Mr H's vehicle differed significantly in price, which I think partly illustrates why advertised prices aren't helpful in this case. I don't think it would be fair to take an average of the two adverts as the market value of their vehicle. Several vehicles considered by Admiral had higher mileage than Miss F and Mr H's vehicle and were advertised at £18,900 upwards. And Admiral's offer was based on *an average* of the guides' prices, which isn't in line with our current approach. That produced a figure that was closer to the two lower guide valuations than it was to the top one.

Given the variations in the advertised prices of the cars, I'm not persuaded by them. In these circumstances, and in line with our current approach, I think the fairest way to arrive at a settlement sum is for Admiral to pay the top valuation shown in the trade guides.

My final decision

My final decision is that I uphold this complaint. I require Admiral Insurance (Gibraltar) Limited to do the following:

- Pay Miss F and Mr H £356, the difference between the sum paid to them (£18,064) and the top sum quoted in the guides (£18,420)
- Add interest to that sum, at the simple yearly rate of 8%, from the date of the first payment to the date of settlement

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F and Mr H to accept or reject my decision before 9 March 2026.

Susan Ewins
Ombudsman