Financial Ombudsman Service

The complaint

Ms P is unhappy that her car was declared a total loss by her insurer, Admiral Insurance (Gibraltar) Limited (‘Admiral’), and doesn’t agree with the salvage category it was placed in.

What happened

I issued a provisional decision regarding this complaint last month. In that decision I said that I was considering upholding the complaint and asking Admiral to change the salvage category from S to N and pay Ms P £250 compensation. An extract from that decision follows:

“In September 2024, Ms P was involved in an accident which Admiral said rendered her car a total loss. She made a claim on her policy and Admiral, who assessed the car based on photographs provided by Ms P, said the car was a category S (structurally damaged repairable) salvage.

Ms P wasn’t happy with, among other things, the total loss decision and didn’t believe there was structural damage to her car. She also didn’t think that Admiral assessed the car properly and said it should have carried out an in-person inspection. She provided Admiral with her own engineer’s estimate.

Admiral responded to Ms P’s complaint and offered her £100 for the distress and inconvenience it caused her by causing delays and failing to call her back on a specific occasion. But it didn’t uphold her complaint regarding the total loss decision and said it was still in the process of reviewing her engineer’s estimate.

Ms P then brought her complaint to our service where it was reviewed by one of our investigators. Our investigator didn’t think Admiral had to take further action and thought it had acted fairly and reasonably in following the advice of its expert engineers who said the car was a category S salvage. Our investigator said if Ms P was able to provide an engineer’s report at her own expense which contradicted Admiral’s engineer’s opinion, the complaint could be reconsidered.

Ms P then obtained an engineer’s report from an independent engineer who said the correct salvage category would be category N (non-structurally damaged, repairable). A copy was provided to Admiral who didn’t change its view.

Ms P then brought a second complaint to our service. She said she was unhappy with Admiral’s handling of the claim and its service and said it proceeded to record the category S salvage on an external database despite the fact that she was disputing this. She was also unhappy it sent her a settlement cheque despite her saying she didn’t agree with the

categorisation. She wanted her car to be repaired and if that was not possible, for the salvage to be recategorised to category N. She also asked for an apology and compensation for the severe disruption to her life.

Admiral reviewed the second complaint and upheld it in part. It said it failed to call Ms P back when it said it would. It offered her £75 compensation plus interest which came to a total of £110.75. Admiral maintained that its category S decision was correct and said the independent engineer's report provided by Ms P didn't show otherwise. It said the reason it issued a payment to her was because it can't withhold payment if it is due.

The matter was reviewed by another investigator who didn't think Admiral had to take any further action. Our investigator didn't think Admiral was required to carry out a physical inspection and said its decision that the car was a category S salvage was reached on the advice of its expert engineers. Our investigator thought the independent engineer's report provided a different opinion to that provided by Admiral's engineers but didn't show that Admiral's decision was wrong.

Ms P didn't agree and asked for an ombudsman's decision. Ms P then appointed a representative who said they are an appropriately qualified person to categorise vehicles. Ms P's representative said that the engineers who physically inspected the vehicle provided a more reliable and accurate representation of the vehicle's condition. And if Admiral wished to dispute this, it should have escalated the matter to an appropriately qualified person to make a final decision.

Our investigator didn't change his view. He didn't consider that Admiral was required to escalate the matter to an independent engineer but to an appropriately qualified person who can be an in-house engineer. Ms P's representative said that he had seen no evidence that the person who categorised the vehicle was suitably qualified.

As there was no resolution the matter was passed to me to decide.

What I've provisionally 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.

The crux of the complaint is that Ms P doesn't agree that the car was a total loss to begin with but even if it was, she said it should be a category N salvage, not S.

<u>*The original total loss decision and categorisation*</u>

Admiral assessed the car based on photographs provided by Ms P and made a decision, on the advice of its engineers, that the car was a total loss. Admiral also had concerns that there was structural damage and for that reason said it was a category S salvage.

I think Admiral's actions in relation to the total loss decision and categorisation when the claim was initially made were fair and reasonable. I think Admiral correctly relied on the advice of its expert engineers in arriving at those decisions. And as there was no alternative expert evidence at the time, I don't think it had any reason to change its view. I also didn't

think it was unfair or unreasonable that it carried out a desktop inspection. This is standard industry practice amongst insurers.

Ms P's engineering evidence

A few weeks after Admiral's assessment, Ms P provided it with a repair estimate she'd obtained from her own repairers. The estimate was for £3,625.97. Admiral said it wasn't able to consider this or change its view as it wasn't a full report. I thought this was fair and reasonable. Having looked at the estimate, I can't see any reasoning as to why the salvage should be recategorised. Also the estimate provided was over 60% of the pre-accident value (£5,742.00) which would support Admiral's decision to declare the car a total loss.

Ms P then obtained an independent engineer's report in January 2025. The engineer said they carried out a physical inspection and removed the left-hand front wheel and wing liner. They said this allowed good access to view the inner wing/flitch support panel and the A-pillar. They said that there was no damage evident to any of the structural parts of the car with the main damage being limited to the near side front wing which is a non-structural, bolt-on panel. They provided a repair estimate for £1,728.89. They noted that the previous estimate obtained by Ms P was much higher and explained that the difference between the assessments was that the repairers made an allowance for potential left hand front suspension damage. The independent engineers said they allowed for a geometry check and if it revealed steering and suspension damage then the costs estimated by the repairers for the suspension components would be reasonable. The independent engineers considered that even with this level of damage, the car could be considered economically repairable. They concluded that as there was no evidence of damage to structural components of the vehicle they would consider the correct salvage category to be category N.

A further clarification report was issued in March 2025 and provided to Admiral. The subsequent report maintained that the correct salvage category would be category N.

The reports were reviewed by Admiral who, on advice from its engineers, was happy for the category S to stay. It said that the category would stay from a safety and regulatory standpoint because the wing is severely damaged inward in the area of the A- post and there is damage to both the sill and lower door below the door hinge. It said this would indicate structural movement.

Admiral provided further comments while the complaint was with our service. It said that the independent engineer's report doesn't show that category S was incorrect but shows the opinion of the inspecting engineer. It said that the engineer's view that there appears to be no damage to the A-post is not acceptable from a safety standpoint and that as the dealing insurer it has an obligation to ensure safety and accuracy of categorisation of vehicles. Admiral added that the only way to confirm there is no structural damage to the A-post is by fitting a new wing and aligning it against the sill/door. At that point any alignment issue would become apparent. Admiral said the independent engineer has failed to take this into account or comment on this possibility.

As our investigator may have explained we are not expert engineers, and our role isn't to decide what the correct salvage category was. Our role is to decide whether Admiral acted

fairly and reasonably in the circumstances based on the information available to it at the time. As I said above, I thought Admiral's initial decision that the car was a category S salvage and a total loss was fair and reasonable as it was based on the evidence of its expert engineers. And at that time there was no conflicting expert evidence.

Nevertheless, Admiral was provided with conflicting expert evidence in January 2025. This was in the form of a report from, from what I understand, a suitably qualified independent engineer who physically inspected the vehicle and disagreed with the categorisation. Admiral said that the engineer didn't say that category S was incorrect but I don't agree. I think the engineer clearly says that they consider the correct salvage category was category N.

When we're presented with conflicting expert evidence, we assess it and decide which is the most persuasive. In doing so, we consider the experts' respective qualifications and specialisms, the reasoning they provide, and whether their assessments were based on a physical inspection rather than a desktop review. In this case, the independent report appears to have been prepared by a suitably qualified engineer. While I don't have details of Admiral's engineer's qualifications, I've assumed they are also appropriately qualified.

However, when comparing the two pieces of evidence, I find the independent engineer's report more persuasive. It provides a fully reasoned explanation supporting the conclusions reached, whereas Admiral supplied only its engineer's comments rather than a full report. Crucially, the independent engineer physically inspected the car and removed the damaged wing to check for structural damage, while Admiral relied solely on photographs. This makes the independent evidence more detailed, better supported, and ultimately more persuasive.

It follows that I think that when presented with the independent engineer's evidence in January 2025, it would have been fair and reasonable for Admiral either to arrange a physical inspection of the car in order to provide an equally detailed engineer's opinion on whether or not there is structural damage to the car. Or change the salvage category from S to N. I think due to the passage of time it would now be unfair for Admiral to arrange a physical inspection as this would cause further unnecessary delays. I think Admiral has had sufficient opportunity to physically inspect the car but failed to do so. So I think it is fair and reasonable for it to change the salvage category unless it is able to physically inspect the car and prepare a fully reasoned engineer's report by the time it responds to this provisional decision.

Furthermore, on balance, I don't think Admiral needs to change its total loss decision based on the available evidence. I say this because on the initial estimate provided by Ms P the repair costs would, most likely, render the car an economic total loss. And even the independent engineer who provided a lower estimate acknowledged that costs could rise with further investigations.

<u>The settlement payment</u>

Ms P is unhappy that Admiral issued a settlement cheque for the total loss of her car in March 2025. She says this should not have happened because she was still disputing the salvage categorisation. Admiral says it could not withhold a payment that was reasonably due, and I agree. However, I think this payment should have been made earlier—once it decided the car was a total loss and determined the pre-accident value to be £5,742.00.

From what I can see, this decision was made on 19 September 2024. I appreciate Ms P was disputing the total loss decision at that time, but payment could have been made on a without-prejudice basis in the meantime. Ms P also provided her own estimate at the end of September 2024, which was not reviewed by Admiral until much later. It follows that I think Admiral should pay interest on the total loss amount it paid Ms P from 26 September 2024 (a week after it valued the car) to the date of payment in March 2025.

Admiral has paid Ms P £210.75 compensation for the distress and inconvenience it caused her for failing to call her back on specific occasions. I think it should pay her a further £250 for the delays it caused in reviewing the estimate and independent engineer's report Ms P provided. As I said above the estimate was provided in September 2024 and, from what I can see, was not reviewed until December 2024. And the independent engineer's report was initially provided in January 2025 and Admiral didn't provide its comments until March 2025.

I note Ms P also asked for an apology but I don't think a forced apology at this late stage would have much meaning."

Responses to my provisional decision

Ms P accepted my provisional decision through her representative, although he said he didn't agree with all the findings and comments I made.

Admiral also responded. It said that if it were to change the salvage category from S to N, this would increase the salvage deduction and result in an additional deduction of £344.52 from the total loss settlement it paid Ms P. Admiral said it would be willing to amend the salvage category to N and to pay a further £250 compensation.

Our investigator informed Ms P of Admiral's comments. In response, Ms P's representative said that because the cost of repairs was lower than the car's market value, it shouldn't have been treated as a total loss. He said the car was repairable and therefore should not have been given any salvage categorisation. He also asked where, in the policy, Admiral is permitted to deduct a salvage amount when it doesn't own the vehicle, saying Admiral had no lawful right over it. He further asked for evidence showing that Admiral is entitled to limit its payment to a certain percentage of the market value. He said Admiral should have offered Ms P a cash-in-lieu payment for repairs and that anything else amounted to a breach of contract.

Ms P's representative also said that the policy requires Admiral to indemnify Ms P up to the market value and that it isn't permitted to limit its liability by saying it will only repair up to a specified amount. He added that Admiral didn't put Ms P's interests first, as required by the relevant regulations. He said that if Admiral were to deduct a higher salvage value, Ms P would be financially worse off than if she had been paid the repair costs she was entitled to, meaning she wouldn't be treated fairly.

Before reaching my final decision, I told Admiral that I had considered what it said about the salvage deduction, but I didn't think it would be fair or reasonable to allow this deduction at such a late stage. I said Admiral had an opportunity to raise this earlier, when Ms P provided her engineering evidence, but it didn't. Instead, it unfairly dismissed the independent evidence without providing adequate reasoning to support its position.

Admiral didn't agree. It said that salvage rates are agreed commercially and aren't subject to negotiation, and that it shouldn't be prevented from charging the applicable salvage amount as a consequence of not agreeing with Ms P's engineering evidence.

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.

The parties agreed to my provisional decision, however Admiral's acceptance was conditional upon applying an additional £344.52 salvage deduction. As I previously explained to Admiral, I don't think it would be fair or reasonable to allow this deduction at such a late stage. Admiral had a substantial amount of time to raise the issue after Ms P provided her engineering evidence in January 2025, but it didn't. Instead, it continued to dismiss the independent evidence without providing adequate reasoning to support its position. So I don't agree that preventing Admiral from now applying a further deduction would be punitive. Rather, I think it would be unfair to Ms P to allow the deduction so late in the process. She has raised concerns about the correct salvage category for over a year, and Admiral only sought to increase the salvage deduction after my provisional decision.

I also understand Ms P's representative's point that if Admiral were to deduct a further £344.52, this would leave Ms P with a settlement of £3,704.46—an amount very close to the likely repair costs. In those circumstances, Ms P could reasonably argue that the claim ought to have been treated as a cash-in-lieu of repairs rather than a total loss. This is because she would effectively be receiving the same amount required for repairs, while still being left with a salvage marker. A salvage marker can reduce a car's value, meaning Ms P would be worse off overall. Admiral has already indicated that it wouldn't agree to a cash-in-lieu settlement because it doesn't consider the car repairable. Taking all of this into account, I don't think it would be fair or reasonable for Admiral to make any additional salvage deduction at this late stage. And because I don't think the further deduction should be made, I haven't gone on to consider the representative's point about whether Admiral can deduct a salvage value from a vehicle it doesn't own.

Ms P's representative also raised additional concerns. He said the car should be deemed repairable and that a cash-in-lieu settlement is the only fair outcome. But as I explained in my provisional decision, I thought Admiral's decision to treat the car as a total loss was fair and reasonable based on the evidence available, including Ms P's original estimate and Admiral's engineer's opinion that the repair costs would likely be around £3,700 and render the vehicle an economic total loss.

My understanding is that Ms P's representative doesn't think Admiral should be entitled to write the car off for any amount less than its market value. I don't agree. It's not unusual—and is standard industry practice—for insurers to write cars off even when the repair costs are below the market value, particularly when there is a reasonable possibility that costs will increase once repairs begin. The policy terms also give Admiral the discretion to decide how to settle the claim, either by paying for repairs or paying a cash sum to replace the vehicle (up to the market value). The terms also say the decision will be based on an engineer or garage's recommendation. So I think Admiral was entitled to decide how to settle the claim, and in the circumstances, its decision to treat the car as a total loss was not unreasonable. I

therefore wouldn’t interfere with that decision.

The rest of my findings remain as set out in my provisional decision and now form part of this, my final decision.

My final decision

For the reasons above I have decided to uphold this complaint. Admiral Insurance (Gibraltar) Limited must change the salvage category from S to N. It must also pay 8% interest per year simple on the total loss amount it paid Ms P (£4,048.89) from 26 September 2024 to the date it paid her. And it must pay Ms P a further £250 compensation for the distress and inconvenience it caused her by causing unnecessary delays.

Admiral Insurance (Gibraltar) Limited must pay the compensation within 28 days of the date on which we tell it Ms P accepts 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 Ms P how much it’s taken off. It should also give Ms P a tax deduction certificate if she asks for one so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I’m required to ask Ms P to accept or reject my decision before 27 March 2026.

Anastasia Serdari
Ombudsman