Financial Ombudsman Service

complaint

Mr G has complained that Admiral Insurance Company Limited undervalued his car after it was stolen and he claimed on his motor insurance policy.

background

Mr G's car was stolen. Admiral settled his claim valuing the car at £16,330. Mr G thought that was far too low. He instructed an engineer to value the car and brought his complaint to us. The engineer's valuation was considerably higher than Admiral's at £23,575.

One of our investigators looked into Mr G's complaint. He thought that it was fair to use the valuation from a single industry trade guide to value the car. At the time that valuation was for £21,571.

I issued a provisional decision on 23 April 2020, for ease I've copied my provisional findings below. I said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, it's likely I'll uphold it.

Mr G's policy says that in the event that Mr G's car is stolen then Admiral would settle his claim by paying him its market value, less any excess. And it explained that the market value is the cost of replacing the car with one of the same make, model, mileage and condition.

Finding the market value of a car isn't an exact science. But we generally find a useful starting point is to use the industry trade guides for valuing second hand cars. That's because those are based on likely selling prices rather than the prices cars are advertised for. And we'll generally find the trade guides more informative than adverts, as those figures are usually inflated to allow room for negotiation.

In arriving at its valuation Admiral followed our usual guidance for valuing cars. It looked at valuations from three guides. Those are recognised industry trade guides used for valuing second hand cars. One of those guides provided two separate valuations, its own valuation and a second imported from another trade guide. But we don't find the imported valuations reliable and I note that Admiral hasn't relied on it either. The other three guides produced valuations of £16,330, £15,700 and £21,571. And where, as here, one of the guides is significantly out of step with the others then we'd usually say it's reasonable to disregard it. And that's what Admiral did in this case. It noted that two of the guides provided similar valuations, while the third was over 32% more than the higher of the other two. So it disregarded that valuation and paid Mr G the highest of the other two valuations. And, if Mr G's car had been a fairly standard model I would have agreed that was a reasonable approach for Admiral to take.

But in this case Mr G's car wasn't a standard model. The engineer Mr G instructed explained that very few of the exact model of Mr G's car were made and sold in the UK. And that means that they are relatively uncommon. So he said that the data sets that the trade guides used might not have been reflective of the true value of Mr G''s car. And he felt a fair valuation was £23,575, which he felt was more reflective of the actual market.

I've done my own research into the specific make and model of Mr G's car. And that supports the engineer's comments that the car is relatively uncommon, with fairly few having *been sold or up for sale recently. And the evidence that I've looked at would indicate that the two guides Admiral used have quoted valuations far lower than seem likely to be achieved for a car with similar mileage to Mr G's. So in a situation like this, where a car is relatively uncommon, I think it's reasonable to look beyond our regular approach to car valuation and to consider other sources when looking to value Mr G's car. And that includes the evidence from Mr G's engineer, who's set out his qualifications in his valuation report.*

In coming to his final valuation Mr G's engineer has used valuations from four specific sources and then found an average value from all four. The four sources he's used are: two trade guides; a discussion with the dealer whom Mr G originally bought his car from; and an advert for what he's described as an "identical example" car. But I don't find all those figures reliable. For example the engineer's referred to a valuation from one of the trade guides, of £23,685, but he's clearly used the wrong year for the car's registration, referring to a 2009 rather than a 2007 model. And that would have an effect on the value. So I don't think it would be fair to refer to that value when looking at a fair market price.

The engineer also referred to discussing the potential value of Mr G's car with the dealer that Mr G bought it from. The dealer apparently told the engineer that he wouldn't have been in a position to sell the car himself, as owing to its mileage he couldn't offer a suitable warranty, but he would value the car at £23,995.

The engineer has also referred to an advertisement for a car offered at £25,000, which he described as an "identical example". The engineer hasn't explained why he believes that this is an "identical example" and the copy of the advert in his report doesn't show the car's mileage. But I assume the reasons the engineer felt it was an identical example would be because it would be of similar mileage to Mr G's car with a similar service history. But in any event, the engineer has commented that the actual sale price would be subject to negotiation, and he estimated that if the car had been sold by a dealer it would sell for £24,000. But, when he calculated his final valuation, he used the full advertised price of £25,000, rather than the lower figure he thought it would actually sell for. So it seems likely his average figure wasn't representative of the selling price.

The engineer also referred to a number of other adverts for cars. I think some of these can be disregarded as they are for cars with far lower mileage. But he's also included adverts for other cars: one with lower mileage but in a comparable bracket to Mr G's was apparently sold for £28,000; a newer car but with higher mileage advertised for £21,900; one with higher mileage advertised at £23,495, another with a much higher mileage advertised at £19,250. And another with higher mileage advertised privately at £17,800. And those adverts, even allowing for negotiation, would all seem to indicate that cars of this make and model even with higher mileage than Mr G's - if sold at a dealership - would most likely sell for considerably more than the two trade guide figures that Admiral based its valuation on. So I don't think it would be fair to rely on the figures Admiral used when valuing the car.

Mr G has suggested we take the valuation using an average of the value given by the dealer he bought his car from of £23,995, the trade guide our investigator used of £21,571, and the likely sale price of £24,000 the engineer said was for an identical example. By my calculations that produces an average of £23,189. But as I've said above I'm unclear why the engineer felt that one advert was an identical example, and – even if it were - I wouldn't generally think one advert alone would be enough to use as a basis for an average valuation. And I note that this wouldn't seem to take into consideration the potential work that Mr G's car would most likely have required to address the advisories from the car's most recent MOT.

But I've noted that a number of cars, some with higher mileage than Mr G's, were advertised for over £23,000. And I note that a dealer who has sold similar cars valued Mr G's car at £23,995. I note he did so without seeing it but I think he's likely to have a reasonable perspective on what these cars will sell for. So I don't think it's fair to disregard his evidence. Nor do I think it's fair to disregard the valuation the trade guide produced while our investigator was looking into the complaint. It follows that, in the specific and somewhat unusual circumstances of this complaint, I think it's fair to value Mr G's car based on an average of the trade guide price as found by our investigator, £21, 571 and the valuation given by the dealer of £23,995, which produces an average figure of £22,783.

So I think that Admiral should increase its settlement based on the figure of £22,783 and pay any balance owing, after factoring in Mr G's excess, to him. It should add simple interest to that sum at a rate of 8% a year from the date it settled Mr G's claim initially to the date it pays him the increased amount.

Also, as Mr G had to go to the expense of paying for his own engineer in order to demonstrate that Admiral's valuation wasn't fair, I think it should reimburse him the £150 he paid for that report. It should add simple interest to that sum from that date Mr G paid for the report to the date it refunds him."

developments

Mr G accepted my provisional decision; Admiral didn't. It said that it had followed our recognised method for valuing cars; including that as the highest trade guide valuation was out of step with the others it was correct to disregard it. It also made a number of comments on Mr G's engineer's report including that: it had used valuations from an incorrect date. It said that Mr G's car wasn't a "classic" and as such there was no reason not to value the car in line with the accepted method. It asked where the evidence was for Mr G's engineer's comments that the sale of one car could skew the figures from the trade guides' data sets. It said the majority of adverts the engineer used were for cars with lower mileage than Mr G's. And that the valuations didn't recognise the work Mr G's car would require following the "advisories" on its most recent MOT. It also said that any extras on the car wouldn't have added value.

my findings

I've again considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I'm going to uphold it.

I noted in my provisional decision that Admiral had followed our accepted method for valuing cars, including disregarding the highest of the trade guides valuation. And I said that if Mr G's had been a standard car that would have been reasonable. But I went on to explain why I didn't think that method was reasonable in this case. It might help if I explain that while we generally think the trade guides are a good starting point to find the value of a car, they are not the only reference material we use. And, where, as here, we don't think the trade guides provide a reliable market value then we won't think it's fair to follow those rigidly. Instead we can look at other evidence in order to arrive at a valuation that does appear to be reflective of the market.

I said in my provisional decision that Mr G's car was uncommon. I didn't say it was a "classic" nor does it have to be in order to conclude that some of the trade guides might not be producing a fair market value for it. But where cars are uncommon, and so there is less evidence for the trade guides to use when providing their valuations, there will be more scope for those figures to be varied with each individual sale. And I explained in my provisional decision that many of the adverts I'd seen, even allowing for negotiation and for cars with higher mileage than Mr G's car, were valued considerably higher than the trade guides Admiral had used to value his car with. So I thought it was reasonable to disregard those trade guides. Admiral hasn't provided any further evidence or comments to show why that conclusion wasn't fair.

Admiral has made a number of comments about flaws in Mr G's engineer's report. But I didn't use Mr G's engineer's valuation as a guide when arriving at a fair and reasonable valuation in my provisional decision. So I don't intend to address those points individually here. But I think it's fair to point out that where I didn't think it was reasonable to have regard to evidence, for example where the engineer used the wrong valuation date or referred to cars with significantly lower mileage, I disregarded it.

I did find some of the evidence the engineer provided useful. Particularly the evidence from the dealer who had previously sold Mr G's car and the valuation he'd put on it of £23,995. But I also noted that it wasn't clear if that dealer was aware of the "advisories" on the car's most recent MOT. I also found that the trade guide that gave the valuation of £21,571 was likely indicative of what some of those cars might have been selling for. So, in the specific circumstances of this case, I thought it was fair to use an average of those two valuations. Those valuations aren't increased because of any extras. So I said Admiral should settle Mr G's claim based on a valuation of £22,783. I remain satisfied that's a fair sum. I also think Admiral should reimburse Mr G the cost of the engineer's report. Admiral should add simple, interest to those amounts at a rate of 8% a year.

my final decision

For the reasons set out above I uphold this complaint. I require Admiral Insurance Company Limited to:

- Settle Mr G's claim for the loss of his car based on a valuation of £22,783. It should add simple interest to the balance it pays to Mr G at a rate of 8% a year from the date of its original settlement to the date it pays him the balance.[1]

- Refund Mr G the £150 he paid for his engineer's report. It should add simple interest to that from the date Mr G paid for the report to the date it refunds him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 20 June 2020.

Joe Scott
ombudsman

[1] If Admiral considers that they are required by HM Revenue & Customs to take off income tax from that interest, they should tell Mr G how much they have taken off. They should also give him a certificate showing this if he asks for one, so he can reclaim the tax from HMRC if appropriate.