

complaint

Mr N has complained about Admiral Insurance Company Limited. He isn't happy about the valuation placed on his car following a claim on his motor insurance policy.

background

Mr N was involved in an accident in March 2019 and made a claim under his motor insurance policy. Admiral decided his car was a write off and offered Mr N what it thought was the market value of his car. It had reduced the value by 20% as Mr N's car was imported.

Mr N wasn't happy about this as he thought this wasn't a fair valuation of his car so he complained to Admiral and then this service.

Our investigator looked into things for him and upheld his complaint. He looked into the valuations and decided that the 20% reduction was too much and out of line with how this service approaches these kinds of cases. Initially he suggested that a reduction of 5% was fair. But he then decided that a 10% reduction was probably a fairer reflection of the market value having considered Admiral's further representations.

As Admiral didn't agree the matter has been passed to me for review.

my findings

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 I think that the complaint should be upheld. I'll explain why.

It isn't this service's role to value cars and valuing second hand cars isn't an exact science. But we do look to ensure that insurers undertake reasonable valuations and provide a fair market value.

When considering valuations placed on cars by insurance companies we look at the approach the insurer has taken and look to see if it has acted fairly in the circumstances. As the investigator explained we pay particular attention to the various trade guides used for valuing cars, as well as other evidence provided by both sides.

This might include advertisements for the sale of similar cars. But I place a lot less weight on these than on the trade guides (as outlined by our investigator previously). This is because cars don't normally sell for the price they are advertised at as there is usually some room for negotiation within the advertised price. Other factors can impact on the value of a vehicle, such as the condition of the car at the time of the accident and in this instance the fact that the car has been imported.

I will only order a business to increase its valuation if I feel it its valuation isn't fair. And in this instance I'm not persuaded that Admiral has provided a fair valuation.

I can understand Admiral's position in valuing Mr N's car. I say this as an imported car like Mr N's generally sells for less. But I think that a 20% reduction seems excessive in these circumstances.

Mr N bought his car at auction and he knew that it had been imported from Australia at that time. The car had a Q registration and I agree that its value would be less than the full market value for a car that hadn't been imported. But generally imports sell for about 10% less so that feels fairer.

I know Admiral have made an argument that Mr N probably paid about 19% less than the market value when he bought it at auction which it feels shows its reduction is fair. But cars generally do sell for less at auction so I would expect the actual market value to be higher. Indeed, some of the trade guides to give a guide of the kind of price these cars sell for at auction separately. I've looked at the guides and in this instance the difference is nowhere near 20%. And, as Admiral knows, just because Mr N got the car cheaper at auction doesn't mean that he shouldn't get the market value of the car now.

I have also looked at the overall valuation of the car. And I can see that there was some debate about the overall price used by Admiral before it made its reduction. But having looked at the various trade valuation guides it appears that the overall price was fair. So I don't propose to interfere with that.

So, although I can understand Admiral's argument and accept that there should be a reduction I don't think it offered a fair valuation when it deducted 20% of the market value. I think that a 10% deduction is a fairer reflection of the value of Mr N's car. I say this as imported cars generally sell for about 10% less and I haven't been provided with any strong evidence that a higher amount is fair, especially when you consider that there aren't many of Mr N's car on the road. I also think that Admiral should pay 8% simple interest for the time he has been without the money that he should've had.

my final decision

It follows, for the reasons given above, that uphold this complaint. I require Admiral Insurance Company Limited to only deduct 10% from the market value of Mr N's car. It should also pay 8% simple interest on any outstanding amount from the date of claim until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 18 November 2019.

Colin Keegan
ombudsman