

## **complaint**

Ms H isn't happy with the amount Admiral Insurance Company Limited's offered for her car after it was written off. Ms H had made a claim under her motor insurance policy.

## **background**

I sent Admiral and Ms H a provisional decision setting out why I didn't think Admiral had acted unfairly. Ms H has replied and I'll deal with what she's said later in this decision. But I set out the background as follows:

*Ms H's car was only 6 months old when it was damaged in a flood. Admiral finally offered her £17,760 but she didn't think this was fair as it was around £7,000 less than the invoice price. While Ms H accepted her new car would depreciate rapidly, she thought Admiral's offer was too low. Ms H has said that she's done her own valuation checks online, as well as checking car adverts, and the range she's got is between £20,000 and £22,000.*

*Ms H says Admiral's policy definition of 'market value' is misleading and had it been clearer she'd have bought a policy that provided new for old replacement, or a policy that covered 'back to invoice' (this where a policy pays the shortfall between the motor insurance companies settlement and the invoiced price paid).*

*The adjudicator who investigated the matter didn't think Admiral had acted fairly. He explained his view that not providing 'new for old' replacement for a new car was a significant limitation. And so he said this should have been made clear before the policy was bought. Having looked at Admiral's 'key facts' he didn't think it made the limitation clear and this affected Ms H's decision to buy the policy. So, to put things right he asked Admiral to pay Ms H the difference between the settlement offer and what she paid for the car.*

*Admiral disagreed with the adjudicator and asked an ombudsman to make a final decision.*

## **my provisional findings**

I set out my initial findings because I disagreed with the adjudicator and these were as follows:

*The main issue in this case is whether Admiral offered a fair market value for Ms H's car after it was written off. In deciding this we usually think that the motor trade guides are a fair way of assessing whether an offer is fair. The trade guides are based on nationwide research of actual selling prices at trade, private and dealer sales. And they give a valuation for each type of sale. The research being about actual sale prices mean that they don't take account of advertised prices (often reduced at the point of sale). Because of this we generally think they are useful in deciding what a fair market value is.*

*The highest dealer valuation returned by the guides was £17,760. This is what Admiral offered and so on the face of it looks to be a fair market value. I appreciate Ms H has sourced valuations from different sources but we know the guides we use base their valuations on national research. I can't say the same for the sources Ms H has provided. And in these circumstances I'm not persuaded that it's unfair to follow our usual approach to the market value.*

*But there is another issue that Ms H has raised. She thinks the definition of market value is misleading and should mean the cost of a similar car purchased at a franchised dealership, not a trade value. Ms H says if the meaning had been clearer then she'd have chosen an alternative insurance provider offered new for old cover on a car under 6 months old or considered additional back to invoice insurance.*

*There are two points in Admiral's 'key facts' document that state the maximum payable for a vehicle being written-off. One comes under a section headed significant benefits and the other under significant limitations. But both say the maximum will be the market value. I think this makes it clear that there isn't any cover on a new for old basis. And the policy defines market value which I don't think is misleading*

*Ms H told us that she was aware her new car would "depreciate rapidly" although I think the reality was a surprise to her. There are some insurance companies that include a new replacement car in certain circumstances – it's a benefit that Admiral doesn't offer.*

*Admiral is required to take reasonable steps to ensure a customer is given appropriate information about a policy so the customer can make an informed decision about the suitability of the policy for their needs. And this includes outlining the policy's main benefits, exclusions and limitations in a policy summary.*

*Having looked at Admiral's 'key facts' document I think it's set out in a sufficiently clear way what payment will be based on for a car that's written off. Market value is listed as both a benefit and limitation and so I think Admiral has given appropriate information that Ms H could make a decision on. She was aware that her car would lose value rapidly and that she wasn't going to get back what she paid if her car was written off.*

*In all the circumstances I think Admiral's offer is a fair market value and that the 'key facts' is sufficiently clear about what will be paid in the event of a vehicle being written off. Admiral hasn't treated Ms H unfairly.*

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've read Ms H's reply and note everything she's said. The crux of her reply can be summarised as follows:

1. She could only find one car in her area similar to hers and it was advertised at £22,000
2. The dealer where she bought her car from said she shouldn't accept anything under £20,000
3. Why don't I accept the guide prices she obtained
4. The depreciation was more than 25% in 6 months when a well-known motoring organisation says average depreciation is 20% per year
5. My decision is at odds with another case on similar facts
6. Admiral's definition of market value should mean the price she'd have to pay at a retailer in her area

*points 1 – 4*

I've grouped these points together as the central point concerns the £17,760 Admiral offered and which I said was a fair market value in my provisional decision.

The market value isn't an exact science and our role is to decide whether Admiral offered a fair amount. We decide what a fair value is by checking the motor trade guides for valuing used cars. As I mentioned in my provisional decision we think these guides enable us to see what a fair value is as they're based on national research of actual selling process. And because we're able to provide the vehicle registration, specific model and mileage the guides are able to carry out a detailed search. The guides' value returned doesn't mean that every similar model has been sold at that price. It is an average and so takes into account cars selling at higher and lower prices.

I've checked the manufacturer's approved used cars website where I was able to search for models as close to Ms H's car as possible (making adjustment to reflect that Ms H's car was around six months when written off). The search returned a number of vehicles at different advertised prices. The fact that Ms H says she could only find one in her area advertised at £22,000 and her local dealer said she shouldn't accept less than £20,000 just shows that there isn't a set value that Ms H should get.

The advertised prices I obtained ranged from £17,000 to £20,990. Some of the cars were likely to be 'pre-registered' by the dealers as they had as little as 10 miles recorded. But others were clearly 'used' in the traditional sense and had recorded mileage up to almost 7,000 miles (I know that Ms H's car had around half that many).

Taking all this into account together with what I said in my provisional decision, I think the amount Admiral offered (£17,760) was a fair market value.

*point 5*

Our decisions do not establish a precedent – this means they're not decisions that all subsequent decisions must follow. But it's important that we're as consistent as we can be so that parties can learn from what we've decided and so have a general expectation as to how we might look at a particular set of circumstances. But cases do vary in their background and I've also seen a case that Admiral's pointed out, which says Admiral acted fairly.

*point 6*

Admiral's definition of market value is based on the cost of replacing the car with one of a similar make, model, year, mileage and condition based on market prices at the time of the loss. This isn't an unusual definition and we'd expect Admiral to apply the dealer retail value if that's where the car was bought (as in Ms H's case). I don't think this is misleading and I don't think it can reasonably be implied that it confines the market value to that of the nearest retailer to where Ms H lives.

Admiral provides insurance to people from all over the UK and the motor guides that carry out the research to identify what a fair market value is use actual selling prices across the country. I don't think this is unfair.

**my final decision**

For the reasons explained my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 6 February 2017.

Sean Hamilton  
ombudsman