

The complaint

Mr T complains Admiral Insurance (Gibraltar) Limited (“Admiral”) undervalued his car after it was recorded as a total loss under his motor insurance policy.

What happened

Mr T has a fully comprehensive motor insurance policy with Admiral.

Unfortunately Mr T was involved in a car accident. His car was written off – known as a total loss.

Mr T says he wanted to arrange collection of the car quickly since it was parked on a street with restricted parking. He says Admiral cancelled his insurance and told him not to drive the car. So he asked that Admiral collect it. It took Admiral three weeks to collect the car.

Admiral offered £2,430 in settlement of the claim. Mr T says he brought the car less than a year before, in excellent condition, for £3,860. He says he would be unable to purchase a similar vehicle for what Admiral have offered.

Mr T wants Admiral to increase its valuation taking into account the current market and the condition of his vehicle prior to the accident.

Mr T complained to Admiral. Admiral said the purpose of the policy is to put Mr T in the same position, in monetary terms, as he was immediately before the accident. Admiral said it offered Mr T the market value of the vehicle; it explained market value doesn’t mean the price paid or its perceived value. Admiral said the market value is the price you could reasonably expect to pay on the open market on the date of the incident to replace the car with one of similar make, model, mileage, and condition. Due to the age of the car Admiral used two industry recognised guides to work out the market value; Glass’s and CAP. The valuation of the vehicle was £2,430 which was the top valuation across the two guides, and Admiral had waived the excess so Mr T received the whole settlement, and so Admiral didn’t uphold Mr T’s complaint.

Mr T wasn’t happy with the response he received from Admiral. So he referred his complaint to this service. One of our investigators looked at the information and evidence provided by both parties. Having done so she felt Admiral had placed a fair valuation on the vehicle when looking at the guides. She said Mr T was compensated £200 for the poor service he received, and the excess of the vehicle of £250 was waived. So she thought Admiral had done enough to resolve the complaint for Mr T.

Mr T didn’t agree with the investigator’s outcome so the complaint has come to me to decide.

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.

Valuation

I need to consider whether Admiral used the right market value for the car under the terms of the policy.

Mr T's policy says, *"if we give you a cash sum, the most we will pay is the market value of the vehicle."*

The policy defines market value as, *"the cost of replacing your vehicle; with one of a similar make, model, year, mileage and condition based on market prices immediately before the loss happened. Use of the term 'market' refers to where your vehicle was purchased. This value is based on research from industry recognised motor trade guides"*.

Valuing cars by using motor trade guides is standard practice in the industry. So our approach in these types of cases is to check the relevant trade guides and consider whether the insurer has made an offer that's in line with them. The guides are based on transaction data – actual selling prices – so give a more realistic indication of a car's valuation than adverts, which don't account for any negotiations that take place over the sale price.

Admiral reviewed its initial valuation and said it was satisfied the amount offered was fair. Having reviewed everything I'm satisfied this figure fairly reflects the price Mr T would have had to pay for a comparable car at the time his was involved in the accident.

As mentioned above the guides are based on extensive nationwide research of likely selling prices. So while individual cars may be advertised at a higher or lower price, the guides give an average value of a car with its specific characteristics. It's for that reason I feel that the valuation of £2,430 is reasonable.

By looking at the guide prices our approach would be to say this is fair. Mr T has questioned our approach as he said the offer doesn't accurately reflect the true value of cars. And Mr T provided us with several car adverts for a similar make and model to his own. But the variance in advertised prices, with there being over £1,000 difference between the lowest and highest, demonstrates that valuing a car isn't an exact science. And having looked at the car adverts Mr T provided, while they do give an idea of the selling price of cars with similar specifications to Mr T's, they don't give details of the actual sold price of the car. The selling price has an element included to allow for negotiation.

As mentioned above, the guides are based on extensive nationwide research of likely selling prices. So while individual cars may be advertised at a higher price or lower price, or they may in fact sell at a higher or lower price, the guides give an average value of a car with its specific characteristics. We normally use the three motor trade guides CAP, Glasses, and Cazana.

I can see that our check of these guides showed similar valuations to that found by Admiral. Some of the guides were unable to provide a valuation due to the age of the car. Its for that reason I feel the valuation used by Admiral is reasonable. I'm therefore not upholding this aspect of Mr T's complaint.

Service

Mr T wasn't happy with the service received from Admiral. He felt calls weren't returned, he had to chase Admiral to get the claim progressed, and Admiral took too long to arrange the collection of his vehicle.

Admiral accepted it didn't provide Mr T with the level of service he expected, and so awarded him £200. I think the compensation is fair and reasonable in the circumstances. So I won't be asking Admiral to pay any more.

Taking this all into account I can't say Admiral has acted unreasonably. The terms and conditions set out how it will settle a claim. The guides it has used refer to advertised and sold prices to work out the value for a similar vehicle. This takes into account the specification of the vehicle as well as the mileage. On this basis I can't say Admiral has acted unfairly or unreasonably in arriving at its valuation.

I appreciate Mr T's concern with the amount he was offered, and he feels it falls short of allowing him to buy a like for like car in a similar condition. And I understand this situation is frustrating. However I can't say the offer Admiral made is unreasonable so I'm not directing it to pay anything more.

My final decision

Admiral Insurance (Gibraltar) Limited has awarded Mr T £200 to settle the complaint and I think this is fair in all the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 25 August 2023.

Kiran Clair
Ombudsman