DRN-4321313

The complaint

Mr J complains Admiral Insurance (Gibraltar) Limited hasn't offered a fair value for his car following an accident which led to it being written off.

What happened

The details of the claim are well known to both parties, so I won't repeat them again here. Instead, I'll summarise the background and focus on the reasons for my decision.

Mr J insured his car with Admiral under a motor insurance policy.

In February 2023, Mr J was unfortunately involved in a car accident. Admiral subsequently deemed the car to be a total loss and offered £13,060 to settle the claim, less any deductibles such as Mr J's excess.

Mr J wasn't happy, so he complained about the valuation. Admiral didn't change its decision.

Mr J brought his complaint to our service for an independent review. He said he can't replace his vehicle like for like with the amount Admiral has offered. And the adverts he found online for similar vehicles were for considerably more (£15,995 - £16,900) for the same vehicle.

An Investigator at this service looked into matters and thought Admiral needed to pay a further £1,866 plus interest. This is because they ran their own valuations using the motor trade guides. This gave four valuations (£12,970, £13,550, £15,281, £15,948). They discounted the lowest valuation and the average of the three remaining guides came to £14,926, which was £1,866 more than Admiral offered. Mr J accepted the Investigators recommendation.

Admiral didn't agree. It said as there's an even spread across the lower and upper values – the difference between the two lower values is £580.00 and the difference between the two higher values is £667.00 – it didn't agree it was fair to discount the lowest valuation. So, it agreed to pay an average of the four guides (£14,446.25).

As an agreement couldn't be reached, the matter was passed to me for a decision.

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.

Having done so, I must explain I'm upholding Mr J's complaint. I'll explain why.

It isn't my role to give an exact value of Mr J's car. Instead, my role is to decide whether Admiral has applied the policy terms and conditions when reaching its market value and whether it has done so in a fair and reasonable way. Based on what I've seen, I don't think it has.

Where a car has been damaged, it's usual for the insurer to pay the consumer the market value of the vehicle immediately before the loss. This is what Mr J's policy provides. It defines the market value as follows.

> '*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.*'

This means Admiral will pay the value of the car immediately before the accident which, here, it originally determined to be £13,060. Admiral referred to two trade guides to obtain a value for the car. The guides gave different figures, which isn't unusual.

We use a similar approach and the same trade guides – in addition to two others - to help decide if a settlement offer is fair when valuing second-hand vehicles. In the absence of other evidence, we may find these guides to be persuasive evidence of market value as their valuations are based on nationwide research of likely sales figures.

I can see the motor trade guides used by Admiral were for cars of the same make, model, age and mileage as Mr J's at the date of loss. I've seen the Investigator carried out further checks using two further motor guides and, as a result, didn't agree Admiral's valuation was fair. They ultimately came to a fair valuation using an average of three valuations (£14,926).

I've also seen adverts for cars of the same age, model, features and similar mileage to Mr J's both online as well as from one of the motor trade guides where the majority of adverts are above £14,975.

In light of this, I don't consider Admiral has demonstrated it has acted fairly in reaching the value of £13,060. I say this because I'm more persuaded the valuation recommended by the Investigator - £14,926 - is a fairer reflection of market value than the offers made by Admiral.

I note Admiral doesn't accept how the Investigator got to the value they did. But I can see an approach where the adverts support *both* lower motor valuation guides being discounted. That said, this isn't the approach I've taken here as I consider the value reached by the Investigator to be more comparable with the price of similar vehicles on sale in April (the date of adverts sent to this service by Mr J) and more recently from the valuations and my own research. Whilst I appreciate these are advertised prices and there maybe reductions agreed, or incentives offered if a customer was ready to buy one, I've balanced this with the fact the valuations now visible to me online are eight months after the date of loss. Taking all the above into account, I'm satisfied the valuation reached by the Investigator of £14,926 is a fair reflection of market value at the time directly before the loss.

In summary, I'm not satisfied Admiral's offer for the market value of Mr J's car was fair according to the terms and conditions of the policy. It now needs to put things right.

Putting things right

Admiral must pay Mr J the difference between what it valued his car at (£13,060) and the market value of £14,926. This is a difference of £1,866. It also needs to add 8% simple interest to this amount from the date the initial payment was made to Mr J to the date of settlement.

My final decision

For the reasons set out above, my final decision is I uphold this complaint. Admiral Insurance (Gibraltar) Limited needs to do the things set out above to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 9 November 2023.

Rebecca Ellis
Ombudsman