

The complaint

Mrs R complains Admiral Insurance (Gibraltar) Limited hasn't offered a fair value for her car following the theft of her vehicle.

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.

Mrs R insured her car with Admiral under a motor insurance policy.

In March 2023, Mrs R's car was unfortunately stolen. After it was recovered, Admiral decided to write it off and offered Mrs R £10,970 to settle the claim, less any deductibles such as Mrs R's excess and outstanding premium.

Mrs R wasn't happy, so she complained about the valuation. Admiral didn't change its decision and said the top book valuation across the two guides it had checked matched its offer.

Mrs R brought her complaint to our service for an independent review. She said she can't replace her vehicle like for like with the amount Admiral has offered. And the adverts she found online for similar vehicles were for considerably more (the majority being above £15,000). She said the failure of Admiral to treat her fairly has significantly impacted her and her family – both from the perspective of their mental wellbeing and financially.

An Investigator at this service looked into matters and, ultimately, issued a view that Admiral hadn't come to a fair market value. This is because they ran their own valuations using the motor trade guides which gave four valuations – two at the higher end and two at the lower end. As there was a considerable difference between the spread of the two sets of valuations, the Investigator found the higher values were more likely to be indicative of a fair market value because the adverts sent to her by Mrs R supported this.

Admiral didn't agree with the Investigators method of calculating a fair value. However, it did agree to the principle of paying an average of the four guides, subject to evidence of the same.

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 Mrs R's complaint. I'll explain why.

My role in this matter 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 Mrs R'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 £10,970. Admiral referred to two trade guides to obtain a value for the car. The guides gave different figures, which isn't unusual. It then made an offer to Mrs R which was the average of those guides.

We use 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 the Investigator were for cars of the same make, model, age and mileage as Mrs R's at the date of loss. The valuations obtained by the Investigator were £10,295, £11,540, £13,058 and £13,379. As a result, they didn't agree Admiral's valuation was fair. They ultimately came to a valuation using an average of the top two valuations.

I note Mrs R sent our service a number of valuations but many of these I've discounted because they weren't substantially similar cars, for example, they had automatic gearboxes, a different mileage or package. However, I've also seen adverts for cars of the same age, model, features and similar mileage to Mrs R's both online as well as from one of the motor trade guides where the adverts show a range from £10,795 to £14,595 with the majority of these being in the £13,000-£14,000 bracket. 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 seven months after the date of loss. Taking all the above into account, I'm satisfied a valuation of the average of the top two valuations is more likely to be a fair reflection of market value at the time directly before the loss.

In light of this, I don't consider Admiral has demonstrated it has acted fairly in reaching the value of £10,970. And I'm more persuaded the valuation which is an average of the two highest guides - £13,218.50 - is a fairer reflection of market value.

In summary, I'm not satisfied Admiral's offer for the market value of Mrs R'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 Mrs R the difference between what it valued her car at (£10,970) and the market value of the average of the highest two valuations provided by the guides (which I calculate to be £13,218.50).

It also needs to add 8% simple interest payable one month from the date the claim was made up to the date of actual payment (making an appropriate reduction for any interim payments, on the date they were made).

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 Mrs R to accept or reject my decision before 23 November 2023.

Rebecca Ellis
Ombudsman