DRN-4453794

Financial Ombudsman Service

The complaint

Mr E has complained about his car insurer Admiral Insurance (Gibraltar) Limited regarding a total loss settlement it paid for his car.

What happened

Mr E's car was damaged in early March 2023 and he made a claim to Admiral. Admiral felt his car was a total loss. It felt a fair market value for the car was £39,425. It said it would pay this to Mr E less the excess and less an amount to clear the vehicle's finance. It was late June when Admiral paid the settlement to Mr E.

Mr E was unhappy. He thought he should have had a courtesy car whilst Admiral decided the claim. Admiral said he wasn't entitled to one under the policy (because his car wasn't repaired/repairable). Overall it was the time it had taken Admiral to settle the claim that had frustrated Mr E. That, along with the fact he felt its market value wasn't fair. He felt it was too low, that he wouldn't be able to replace his car for that sum. He noted cars like his for sale were advertised for £42,000 - £45,000. He was also aware that his local dealer had recently offered him £41,500 for his car – meaning it would sell it on for more than that sum.

Admiral said it had relied on two motor valuation guides to arrive at the market value (an average of the two). It felt that was fair. But it accepted there had been some delay in it making its settlement. So it said it would pay Mr E £677.46, being a sum for interest applied to the market value figure across the delay period. Also £100 compensation for distress and inconvenience. Mr E remained dissatisfied about the market value and time which had been taken. He complained to the Financial Ombudsman Service.

Our Investigator noted Admiral had only referenced two of four commonly available motor guides. She noted the other two gave slightly higher values, the uppermost being £41,410. She also noted Mr E had provided adverts for cars similar to his, one being for £42,380. She was also mindful of the purchase offer from the local dealer. She said bearing all that in mind, a figure at the top end of all of the motor guide values seemed reasonable. Noting the purchase offer from the local dealer, she said Admiral should use that sum as the fair market value for Mr E's car. She said Admiral should pay Mr E £2,027, the difference between the market value it had applied and the one she felt was fair, plus interest. She also thought it should pay a further £100 compensation.

Mr E said he accepted the view. Admiral said it disagreed with the revised market value. It felt including adverts and the dealer offer didn't, in its view, present a fair outcome. It said it would increase its offer to an average of the three guide values referenced by our Investigator. So it offered an increased market value of £40,087. Mr E was asked if he'd be prepared to accept that and he said he was not. He reiterated that his car would have been sold for more than £41,500 by his local dealer (had it bought his undamaged car from him).

The complaint was referred for an Ombudsman's consideration.

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 considered the complaint I find my view is the same as our Investigator. In short Admiral's offer, based on only two of the four motor valuation guides was unfair and unreasonable. Like our Investigator I've then thought about what a fair and reasonable market value is.

There are four motor guide valuations available. They range from £39,245 (the lower of the two used by Admiral) to £41,410 (the higher of the two viewed by our Investigator). The motor valuation guides can be really useful tools in determining market values because the figures they return are based on a lot of nationwide sales data.

Using all four valuations gives the widest range of data on which to base a market value decision. But refencing adverts and any other relevant data available too can also be vital to ensure a fair value is reached. That type of data can help determine, that even given that wide range of detail, the values returned are reliable indicators of a fair market value. Particularly if there is a difference in the values returned, as is the case here. Although I accept there isn't a big difference.

In this situation the other available data can help determine if it's fair to apply an 'average' sum, as Admiral has sought to (both in its original settlement and its amended offer), or if a settlement at the top end of the range is fair.

Here I note that Mr E presented two adverts for cars for sale; one at £44,995 and one, referenced by our Investigator at £42,380. This latter one alone being more than £3,000 more than what Admiral originally felt was a fair market value. Even if that car does not sell for quite that sum, it's difficult to see it selling for much less. Especially not when put in light of Mr E's local dealer offering to buy his car – not a car similar to his, but his exact car – for £41,500.

As Mr E pointed out, the dealer would then add a mark up on that sum for sale. Whilst it isn't clear exactly how much that mark-up would have been, in the currently competitive second-hand car market it seems unlikely that a dealer would allow for much negotiation on their asking price. So I don't think Mr E's car would have been sold for less than £41,500.

Setting the above data against the motor guide valuations shows that applying an average of those sums doesn't offer a fair market value. The average of £40,087 is still quite lot lower than the uppermost guide value and that other available data. The other data discussed, particularly the dealer offer, shows that the uppermost value returned is most likely indicative of a fair market value. That is £41,410. Given the dealer offer though, I think it's fair, on this occasion, to exceed the guide value slightly and view that proffered sum of £41,500 as fair market value for Mr E's car. I think Admiral should pay Mr E £2,027 – the difference between its market value of £39,425 and the sum I've found to be fair and reasonable of £41,500.

Admiral has accepted that it should have paid its initial settlement to Mr E earlier than it did. It's paid interest to make up for that delay (applied from 26 March 2023). And its initial settlement should have represented a fair and reasonable value for Mr E's car. Which I have found it did not. So I'm satisfied that Admiral should apply interest* to the additional payment I'm now requiring it to make of £2,027, from 26 March 2023 until settlement is made.

As I've noted, Admiral has accepted that it caused delays on this claim. That meant Mr E had to wait for around two months longer than he reasonably should have done for it to pay him its initial settlement sum. And I've found that sum wasn't fair and reasonable. I'm satisfied that total compensation of £200 is fairly and reasonably due to make up for this upset. Admiral has paid £100 already so it now only needs to pay the remaining £100.

Putting things right

I require Admiral to pay Mr E:

- £2,027, as an increased total loss settlement, plus interest* applied on that figure from 26 March 2023, until payment is made.

- £100 compensation, where total compensation is £200 and £100 of that sum has already been paid.

*Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. HM Revenue & Customs may require Admiral to take off tax from this interest. If asked, it must give Mr E a certificate showing how much tax it's taken off.

My final decision

I uphold this complaint. I require Admiral Insurance (Gibraltar) Limited to provide the redress set out above at "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 2 January 2024.

Fiona Robinson
Ombudsman