

## **The complaint**

Mr S and Mrs S complains about how their insurer, Admiral Insurance (Gibraltar) Limited (Admiral), handled a claim under their motor insurance policy.

Any reference to Admiral in this decision includes their agents.

## **What happened**

In October 2022, while checking the engine oil level, Mr S and Mrs S noticed their vehicle appeared to have suffered rodent damage to the under-bonnet insulation and several wires appearing loose. The vehicle started and ran without obvious issues, other than illumination of an ancillary equipment warning light.

They contacted Admiral to tell them about the damage. They were asked to complete an online claim form, which they did (including photographs of the damage) and a further vehicle inspection form. Admiral appointed an engineer (A) to inspect the vehicle. A contacted Mr S and Mrs S to arrange a date to inspect the vehicle, although Mr S and Mrs S preferred A collect the vehicle. A were busy and said they would come back to them.

Mr S and Mrs S then received a call from Admiral, saying they considered the damage to the vehicle meant it would be deemed a total loss. Admiral told them they could either: accept an offer to settle the claim on a total loss basis (and the vehicle would belong to Admiral); arrange their own inspection of the vehicle and commission repairs (at Admiral's cost but their risk); or accept a lower offer (and retain the vehicle); or withdraw their claim.

Mr S and Mrs S subsequently received emails from Admiral, referring only to the options of a total loss settlement (with them either retaining the vehicle or it remaining with Admiral). Mr S and Mrs S were also unhappy at deductions Admiral proposed to make from the offer (as the vehicle's MOT had expired in September) and saying their private licence plate would need to be retained by Mr S and Mrs S within 10 days.

Mr S And Mrs S weren't happy with the offer (based on a gross valuation of £18,195), thinking it significantly lower than its value, given its condition. They said they'd had the vehicle valued through online vehicle purchase websites, receiving quotations some £4,000 more than Admiral's valuation. They were also unhappy the vehicle had been deemed a total loss without being physically inspected by A but based on their description of the damage and the photographs they'd provided.

Mr S and Mrs S then had the vehicle inspected by a local engineer, who started the vehicle and checked warning lights and ancillary equipment. The engineer said the vehicle would be economically repairable, by repair or replacement of the wiring loom. Mr S and Mrs S told Admiral about the engineer's findings, who said they'd review the information. Admiral then emailed Mr S and Mrs S with an estimate of the cost of repairs prepared by A (£12,268).

Mr S and Mrs S then engaged a second engineer to inspect the vehicle, who said there was 'minor rodent damage' to two injector wirings and cables to the battery. He carried out repairs and said they could be considered permanent, with the vehicle running normally. The

engineer charged £270 for the repair. The first engineer then inspected the vehicle (with diagnostic equipment) and said it was running normally (with no warning lights present). They charged £240 for their inspection. The vehicle subsequently passed its MOT.

Mr S and Mrs S then complained to Admiral, raising several issues. These included Admiral withdrawing the option to have the vehicle independently inspected or withdrawing their claim. They thought A's repair estimate excessive (seemingly based on replacing all the vehicle's wiring looms) and wasn't based on their having physically inspected the vehicle. Mr S and Mrs S said they'd been affected financially by the cost of the second inspection, losing use of the vehicle for most of October; not having the vehicle taxed for October (Admiral having insisted the vehicle have a Statutory Off Road Notice (SORN) as they took the vehicle off cover when they deemed it a total loss) and disruption to their holiday and the time spent discussing the situation with Admiral. The incident had also caused them considerable stress and anxiety, for which they thought they should be compensated.

Having not received a response to their complaint (other than an acknowledgement) Mr S and Mrs S then complained to this service (February 2023). They were unhappy about not receiving a response from Admiral to their complaint, lodged in October 2022. They wanted Admiral to investigate their complaint and provide a resolution of the issues they'd raised.

Admiral upheld most of the issues raised in the complaint. In their final response (issued in March 2023, after Mr S and Mrs S raised their complaint to this service) they apologised for the inconvenience. They said they'd made the correct decision to deem the vehicle a total loss (the decision was made by Admiral's in-house engineer, not A). The decision was also based on having – in accordance with the vehicle manufacturer's requirements – to replace in full the damaged electrical wiring looms. The cost of these (added to the labour cost) meant the estimate to repair the vehicle exceeded what Admiral considered to be an economical repair. Admiral also accepted they'd applied a total loss marker to the vehicle without making this clear to Mr S and Mrs S (it was removed following the vehicle being repaired – Admiral then closed the claim as a notification only incident). Admiral accepted there had been a lack of communication from their Complaints Department. In recognition of the points they'd upheld, Admiral awarded £150 for trouble and upset. They also awarded £50 as a goodwill payment for the length of time taken to respond to the complaint.

Mr S and Mrs S weren't happy with Admiral's response, saying the total compensation of £200 wasn't sufficient, so they didn't accept it. They were also still unhappy at Admiral's settlement offer, saying they subsequently sold the vehicle (March 2023) for significantly more than Admiral's initial valuation. This was why they'd decided to have their vehicle inspected by two engineers (and have it repaired).

Our investigator initially didn't uphold the complaint, concluding Admiral's offer of compensation was adequate and didn't need to do anything more. Admiral wouldn't have been able to repair the car in the way Mr S and Mrs S's engineer could. And because the vehicle was repaired, Mr S and Mrs S hadn't suffered financially from the settlement offer. As Admiral initially treated the vehicle as a total loss, it was reasonable to remove it from cover. Notification of the damage through to the vehicle being repaired (and having a fresh MOT) had not extended beyond October 2022, so the claims process wasn't prolonged. While Mr S and Mrs S had to contact Admiral on several occasions, the investigator didn't think this was excessive, given the complexities of the claim and its resolution. And while they were unhappy at the time taken by Admiral to respond to the complaint, this wasn't something within the remit of this service.

Mr S and Mrs S made further representations. They said they'd had their vehicle repaired because of the low settlement offer made by Admiral. They thought a fair market value for the vehicle would be around £23,000 (compared to Admiral's initial valuation of £18,195

which was subsequently increased to £18,434 and then £19,400). And they'd sold the vehicle to a dealer for £20,847 in February 2023. They'd felt pressured by Admiral into accepting their settlement offer because they'd deemed the vehicle a total loss (a Category N loss) which would have significantly affected its value should they have decided to repair the vehicle. Had Admiral made a fair settlement offer, they would have accepted it.

Our investigator considered the representations made by Mr S and Mrs S and issued a further view. He thought Admiral offered the market value of the car, based on recognised industry valuation guides. Having checked the guides, the settlement offer was in line with those figures (which were based on retail values, not trade values). As Admiral's revised settlement offer of £19,400 was within the retail market valuations for the vehicle, the investigator didn't think Admiral had acted unfairly.

Mr S and Mrs S disagreed with the investigator's view and requested an ombudsman review the complaint. They didn't agree Admiral had offered a fair settlement (valuation) saying they'd been told in discussion with Admiral the settlement offer was based on [average] trade values (not retail). And prices for vehicles, particularly ones in excellent condition, were higher than values provided by industry valuation guides. They also provided evidence of the time they'd spent making calls to Admiral, saying they'd also spent time receiving calls. They didn't think the compensation awarded by Admiral reflected this time.

### **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.

My role here is to decide whether Admiral has acted fairly towards Mr S and Mrs S.

Looking at what happened and the information and evidence available, I think there are two broad issues in Mr S and Mrs S's complaint. Firstly, there's Admiral's initial decision to treat the vehicle as a total loss and, consequently, the settlement offer made to Mr S and Mrs S. Mr S and Mrs S say they were initially given four options, but subsequently only two following Admiral's decision to treat the vehicle as a total loss. And because they thought Admiral's valuation significantly less than what they considered to be fair, they decided to have the vehicle repaired. Admiral say the estimated cost of repairing the vehicle (based on full replacement of the affected electrical looms) made it beyond economical repair. And they made a fair settlement offer based on valuations from recognised industry valuation guides.

Taking these points in turn, Admiral considered the damage from description and photographs provided by Mr S and Mrs S. While they (A) didn't physically inspect the vehicle, they were able to produce an estimate based on what they'd seen and what they thought would be needed to repair the vehicle. I've noted the following comment from Admiral's in-house engineer contained in Admiral's case notes:

*"The policyholder car has been deemed a total loss and the reasons for this are down to the costs of parts.*

*As the electrical wiring looms have been chewed by the rodents then the repair methods are that the full electrical looms that are damaged need to be replaced, these are very costly parts and with parts and labour cost combined this has taken the repairs over the max amount [that would mean the vehicle wouldn't be considered economical to repair].*

*We are not permitted to repair the wiring which would be a lot less in costs but for safety reasons the parts would need to be replaced and also very often on this type*

*of claim we could change the wiring looms and then find further electrical issues which aren't visible at the time of repairs.*

*Also with the issues obtaining parts at the moment and these are specialist order then there could be very long delays in obtaining the parts."*

This would explain the high estimated cost of repair from A, and why Admiral considered the car to be a total loss (Category N – meaning a vehicle had suffered non-structural damage and could be repaired to a roadworthy condition and put back into use). Based on their in-house engineer's assessment, I don't think this is unreasonable. That being the case, I'd have expected Admiral to offer a settlement based on their assessment of the market value of the car (which is what the policy provides for).

And as a Category N total loss, I'd also have expected them to make an offer on two bases: a settlement where they take ownership of the vehicle (and then dispose of it) or a settlement where the policyholder elects to keep the vehicle and have it repaired (which would mean a settlement value less the estimated salvage value Admiral would otherwise have expected to receive had the vehicle been retained by them and disposed of).

I've then considered the settlement offer made by Admiral, based on their valuation. In making a settlement offer, insurers will use values obtained for the vehicle in question by recognised industry valuation guides. As an approach, we don't consider this unreasonable.

I've then looked at the information available on the valuation of the vehicle from recognised industry valuation guides. I've looked at valuations from three recognised guides. Based on retail values they range from £19,070 through £20,000 to £21,504 (the latter is described as market value). Admiral initially offered settlement based on a valuation of £18,195 which they subsequently increased to £19,400. In both cases, those valuations were then subject to a deduction of 10% because (at the time) the vehicle's MOT certificate has expired (I've seen information from the DVSA the MOT had expired the previous month – which would explain why Mr S and Mrs S had, once the vehicle had been repaired, to obtain a fresh MOT certificate).

As a service, our approach is that if an insurer makes a settlement offer that falls within the range provided by recognised industry valuation guides, then we can't conclude an insurer has acted unfairly. In this case, the revised valuation offered is within the range, so I've concluded Admiral didn't act unfairly.

I recognise what Mr S and Mrs S have said about the value of their car, including valuations from other sources and that subsequently they were able to sell their vehicle (to a manufacturer main dealer for more than Admiral's settlement offer (valuation). But this doesn't mean Admiral acted unfairly. And it was their choice to reject Admiral's valuation and consequently engage engineers to inspect (and then repair) their vehicle. Which then passed the MOT test and could be returned to use (and subsequent sale). So, they haven't lost out financially from Admiral's offer. And the vehicle wasn't categorised as a total loss, given it had been repaired outside of a total loss settlement.

So, I've concluded Admiral haven't acted unfairly or unreasonably.

The second main issue concerns the way Admiral handled the claim, including their communication with Mr S and Mrs S. Their final response includes an acceptance (through upholding most of the complaint points) they didn't communicate clearly with Mr S and Mrs S on several counts. I've considered both what Mr S and Mrs S have said about what happened and Admiral's case notes and I agree Mr S and Mrs S suffered stress and inconvenience from what happened. While the claim was resolved (through being deemed to be a

notification only incident, as the vehicle had been repaired) I can see it took considerable time on the part of Mr S and Mrs S. While making a claim and dealing with its assessment would always have involved time and effort from Mr S and Mrs S, it was greater in this case due to the issues Admiral have acknowledged.

When making their complaint (to Admiral) Mr S and Mrs S raised a number of points, for example the cost of the engineer inspections and repairs and loss of the use of the vehicle for most of October 2022. I've considered these points, but I don't think they change my conclusions. It was Mr S and Mrs S's decision to engage the engineers (and have the vehicle repaired) and subsequently brought back into use. But as the indications from the information I've seen are that the vehicle's MOT expired in September 2022 (before the incident) then it would always have been the case the vehicle couldn't have been used (on public roads) until it had a new MOT certificate (which was Mr S and Mrs S's responsibility). And having initially deemed the vehicle a total loss, it wasn't unreasonable for Admiral to withdraw cover and require an SORN. And to restore cover when the vehicle was repaired and had a fresh MOT.

Taking all these points into account, I think Mr S and Mrs S did suffer distress and inconvenience to a greater degree than was necessary (though as I've noted above, making a claim and having it assessed would always have meant some degree of inconvenience). Looking at the circumstances of the case and the guidelines we operate to as a service, then I've concluded £150 in compensation for inconvenience would be fair and reasonable (as complaint handling isn't a regulated activity that falls under our remit as a service, I can't say the £50 awarded by Admiral is unfair or unreasonable).

### **My final decision**

For the reasons set out above, my final decision is that I don't uphold Mr S and Mrs S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S and Mrs S to accept or reject my decision before 18 October 2023.

Paul King  
**Ombudsman**