DRN-4483761

Financial Ombudsman Service

The complaint

Mr K complains Admiral Insurance (Gibraltar) Limited hasn't offered a fair value for his car following its theft.

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 K insured his car with Admiral under a motor insurance policy.

In June 2023, Mr K's car was stolen. Admiral offered £207,405 to settle the claim, less Mr K's excess.

Mr K wasn't happy, so he complained about the valuation. Admiral didn't change its decision. It said as it wasn't able to obtain a valuation from the guides it'd usually use, it instructed an Independent Assessor who valued his car at £207,405. However, it accepted it could've made the claim payment sooner than it had and so paid Mr K 8% interest on the total value, amounting to £326.51.

Mr K brought his complaint to our service for an independent review. He said he wasn't able to replace his vehicle like for like with the amount Admiral has offered as a replacement costs £239,975, supported by advert evidence of the same. Further, he'd bought his car only several weeks before it was stolen for £223,655, he felt this should be used as the market value.

An Investigator at this service looked into matters. They ran their own valuations and were unable to obtain any. However, as the vehicle was stolen soon after purchase, they felt it fair to use the purchase invoice for the valuation. They issued a view that Admiral needed to pay more to Mr K – the difference between the market value of the car at the amount Mr K paid for his vehicle (£223,655) and the amount it paid to him. They also asked Admiral to pay Mr K for the remaining proportion of the extended warranty he had to take out to buy the car.

Mr K accepted the recommendation. Admiral didn't agree with the Investigators method of calculating a fair value. It said Mr K had owned the car for four weeks prior to the theft. In this time, he'd used the car increasing the mileage and other damage could have been sustained or something else happened to the vehicle to devalue it. Further it would've already lost value once it has left the forecourt.

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'm upholding Mr K's complaint. I'll explain why.

It is 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 K'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 determined to be £207,405 based on an Independent Assessors report. Although it said in the response to Mr K's complaint this was the only valuation it could obtain, I note one trade guide – CAP - gave a value of £219,250.

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. None of these guides were able to produce a valuation which isn't unusual given the car being valued.

There's limited evidence available in this matter of the market value of the car at the time of loss. So, I've taken into consideration the purchase price as a valuation. And I haven't seen any persuasive reason not to do so.

The points raised by Admiral about the time Mr K had the car are the same issues for any stolen vehicle which hasn't been recovered. Without any evidence of an incident occurring before the theft causing damage to the car, I'm not persuaded to change this approach by the points Admiral has made.

Generally, an extended warranty is an uninsured loss. However, in this particular case, I'm satisfied the amount charged for the membership which gives the extended warranty is part of the cost of the car. This is because, based on the evidence from Mr K's recent invoice and a conversation with a dealership in the same group, I accept the car can't be bought without the membership nor can it be bought separately.

Taking into account the two valuations obtained by Admiral (CAP and the Independent Assessor), the adverts Mr K has shared for the same vehicle and the price he paid only several weeks prior to his vehicle being stolen, I don't consider Admiral has demonstrated it has acted fairly in reaching the value it has. I say this because I'm more persuaded the value of the car on the purchase invoice including the membership with extended warranty (£230,255) is a fairer reflection of market value than the offer made by Admiral. I also consider this to be more comparable with the adverts sent to this service.

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

Putting things right

Admiral Insurance (Gibraltar) Limited must pay Mr K the following.

1. The difference between what it valued his car at (£207,405) and the invoice price of the car (£230,255) which I calculate to be £22,850.

2. 8% simple interest on this amount payable from the date Admiral says it expected Mr K's total loss claim to be settled (20 August 2023) up to the date of actual payment (making an appropriate reduction for interim payments, if any, on the date they were made).

*If Admiral Insurance (Gibraltar) Limited considers it's required by HM Revenue & Customs to take off income tax from that interest it should tell Mr K how much it's taken off. It should also give Mr K a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

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 K to accept or reject my decision before 5 February 2024.

Rebecca Ellis
Ombudsman