The complaint

Mr S complained that Admiral Insurance (Gibraltar) Limited's total loss settlement for a claim he made under his car insurance policy was too low.

What happened

In June 2023 Mr S made a claim to his insurer, Admiral. It settled the claim as a total loss by paying Mr S a market value for his car, minus deductions for retaining the car (a salvage fee) and the excess.

In July 2023 Mr S complained about the value place on his car. He believed it was too low.

Admiral didn't uphold his complaint and said it had paid a fair settlement.

Mr S asked us to look at his complaint. Our Investigator thought Admiral should increase the market value from £1,595 to £1,975 in line with the highest of the valuation guides available and our approach. She thought Admiral should pay interest on the difference due to the time Mr S was without the additional payment at a rate of 8% simple interest a year.

Both parties agreed with the Investigator's recommendation to increase the market value. But Mr S wants £200 compensation for the distress and inconvenience caused. He says he had to complain to Admiral and to us, which involved his time. He felt Admiral had treated him unfairly and forced the settlement payment on him.

The Investigator didn't recommend an award of compensation, but she put Mr S's request to Admiral. Admiral said it was satisfied that the increase in the market value, with interest, was enough to put things right.

So as Mr S didn't agree, he has asked for an ombudsman to decide.

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 checked the main motor trade guides along with adverts for similar cars for sale online, I'm satisfied that a fair increase in the market value should be to £1,975, which is the highest of the main motor trade guides. This is based on the 'retail transacted' amount which is the amount Mr S – or anyone – might reasonably pay for a similar car from a retail garage.

Admiral had relied on one of the trade guides, which gave a lower market value of £1,595.

The remaining issue for me to decide is whether Mr S should be awarded compensation.

I can see that Admiral dealt with Mr S's claim within a reasonable period of time. Where a customer's valuation for their car is too low, we think a fair way to put this right is for a business to pay the difference, and to pay interest at our preferential rate on this difference. This reflects the period of time a customer was without the funds and to put them back in the position they should have been in had the insurer paid a fair settlement.

I appreciate that Mr S feels Admiral forced him to accept the settlement which he didn't agree with. Where there is a dispute about a settlement, we don't think it is right for an insurer to pay nothing while that dispute is ongoing – as this leaves a customer without any funds to buy a replacement vehicle. And accepting the settlement doesn't prevent a customer from raising a complaint. So I think Admiral's decision to pay the settlement – although Mr S didn't agree with it – was a reasonable approach to take.

I understand Mr S complained to Admiral, and in turn brought his complaint to us, which involved his time. But I think the remedy set out by the Investigator is fair and reasonable in this case. So I'm not asking Admiral to pay compensation for the distress and inconvenience caused.

My final decision

My final decision is that I uphold this complaint. I require Admiral Insurance Company (Gibraltar) Limited to pay the difference in the market value for Mr S's car to £1,975 (minus the deductions already taken under the terms of the policy).

Admiral Insurance Company (Gibraltar) Limited should pay interest on the difference at a rate of 8% simple interest a year from the date of the original settlement to the date it pays.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 4 April 2024.

Geraldine Newbold
Ombudsman