

The complaint

Mr A complains about Admiral Insurance (Gibraltar) Limited's ("Admiral") valuation of his car following a claim under his car insurance policy.

What happened

Mr A says, following the theft of his car, Admiral offered him £12,097.50 to settle his claim. Mr A complained as he says he searched the market but couldn't find a similar car for this price. Admiral responded and explained they valued Mr A's car at £12,097.50 and, after deducting the excess of £150, the amount payable to him was £11,947.50. Admiral explained they've offered Mr A the market value of his car. They said they used two motor trade guides to value Mr A's car – and the offer made to Mr A reflected the average of these two guides.

Our investigator looked into things for Mr A. She thought Admiral hadn't offered a fair valuation and recommended they pay an additional £402.50 together with 8% simple interest on this additional settlement amount. Admiral disagreed so the matter has come 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've decided to uphold the complaint. And, I think the investigator's recommendation here is a fair way to resolve matters. I'll explain why I have made this decision.

My starting point is Mr A's car insurance policy document. This sets out the terms and conditions and says, if Admiral decide to pay a cash sum to replace a car, the most they'll pay is the market value of the car. The policy defines market value as "*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... This value is based on research from industry recognised motor trade guides.*" The dispute here relates to the valuation, so the next point I've considered is whether Admiral acted fairly when carrying out their valuation.

In assessing whether a reasonable offer has been made, we obtain valuations from motor-trade guides. These are used for valuing second-hand vehicles. We find these guides to be particularly persuasive, largely because their valuations are based on nationwide research of likely selling prices.

The guides refer to advertised and auction prices to work out what the likely selling price for the same vehicle would be. This takes into account all the specifications of the vehicle as well as any extras and the mileage.

Mr A is unhappy with Admiral's valuation of his car as he thinks it's worth more – particularly as he says he couldn't find a similar car for less than £16,000. I've seen that Admiral reached their figure by using two industry recognised tools to find out the market value of the

car. I can see they used CAP's to arrive at a valuation of £12,395 and Glass's which gave a valuation of £11,800. Admiral used the average to settle the claim.

I can see our investigator also obtained a valuation of £11,800 from Glass's. They also considered two additional motor guides to get their valuation for Mr A's car at the time of the incident. But I can see our investigator has only used a CAP's valuation of £12,500 when considering a fair settlement in this case.

The information shows Admiral also took into account the CAP's valuation when arriving at their settlement offer. And, the difference between Admiral's settlement amount and our investigator's view of a reasonable settlement is £402.50. But, I don't believe, in the circumstances of this case, Mr A received a fair settlement. I say this because Mr A has provided evidence which shows his car included factory fitted optional extras.

Optional extras are additional specifications which can be added to a car when it is in the factory. These usually come with an additional cost which is paid by the purchaser. While some optional extras can increase the resale value of a car, some won't increase the price but may make the car more desirable to buy. As with cars generally, optional extras will depreciate over time. Out of the four motor trade guides, the additional two obtained by our investigator didn't allow her to include any optional extras. Glass's did allow some optional extras to be included but didn't add any value to Mr A's car. The CAP's valuation was the only one which applied an additional amount for the optional extras. The valuation process allowed the investigator to enter the precise optional extras purchased by Mr A and the search result confirms these have been included in the valuation produced.

Admiral only used two motor-trade guides – and while one of these was CAP's, I can't see their search of this motor trade guide took into account the optional extras. It's not the role of this service to put an exact value on a car. When looking into these types of complaints we check the relevant trade guides and consider whether the insurer has made a reasonable offer in line with them. It's our role to make sure Admiral is giving Mr A a fair price using a fair and recognised approach.

In this case, I can't say that has happened here as Admiral's valuation didn't take into account the optional extras. And given that there was a motor trade guide which allowed this to be factored in, I think this should've been used to arrive at a fair valuation. Admiral say the CAP's valuation obtained by our investigator is only £105 more than their own valuation – which they say is an acceptable difference. I agree the difference is relatively small, but it's not the difference between these amounts which is material in the circumstances of this case – it's the fact that Mr A's car had optional extras, and one motor trade guide includes a fair value for these. And while I accept Admiral used this trade guide, they didn't include the optional extras. So I think it's fair and reasonable for our investigator's CAP's valuation to be used to determine a fair settlement. And, that being the case, the difference between what Admiral have paid and what I think represents a fair settlement is £402.50.

I can see our investigator obtained a valuation from Glass's and this allowed her to select optional extras – but the result of the search showed the optional extras didn't add any value. And the Glass's valuation obtained by our investigator matched the valuation Admiral obtained.

I can see Admiral say it's unfair for our investigator not to take this valuation into account. I do acknowledge Admiral's point here, but I'm persuaded, in the circumstances of this case, it wouldn't be fair to apply this valuation. I say this for two reasons. Firstly, given the specific optional extras chosen by Mr A and the fact they're factory fitted, I think it's reasonable to conclude they would add value. Secondly, the valuation our investigator has received from CAP's contains notes which says CAP's researched Mr A's particular car and it sets out the total value of the optional extras from new. Given that the optional extras will have

depreciated in value over time, I don't think the additional value applied by CAP's for the optional extras is unreasonable. So, in the circumstances of this case, I think the CAP's valuation, with the optional extras included, provides the most accurate valuation for Mr A's car – and it would be fair to use this valuation to work out a fair settlement amount.

Given that I've seen no evidence Admiral's CAP's valuation applied the optional extras, and this has then led to a reduction in the amount paid to Mr A, I don't think Mr A has received a fair price. Based on the information provided about Mr A's car and using the most accurate trade guide, I don't think Admiral have carried out a fair valuation. After making deductions from the settlement amount, Admiral have already paid £11,947.50, so they should pay Mr A £402.50 together with 8% simple interest from the date they paid their settlement amount to the date of settlement.

Putting things right

I've taken the view that Admiral haven't carried out a fair valuation of Mr A's car. So, Admiral should pay Mr A £402.50 together with 8% simple interest from the date they paid their settlement amount to the date of settlement. Admiral should provide Mr A with a certificate showing any taxation deducted.

My final decision

My final decision is that I uphold the complaint. Admiral Insurance (Gibraltar) Limited must take the steps in accordance with what I've said under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 28 September 2023.

Paviter Dhaddy
Ombudsman