

The complaint

Mr C complains about the settlement of his motor insurance claim by Admiral Insurance (Gibraltar) Limited after his car was stolen.

What happened

The following is intended only as a brief summary of events. Additionally, whilst other parties have communicated with Mr C, for the sake of simplicity I'll just refer to him and Admiral.

Mr C had a motor insurance policy underwritten by Admiral. In October 2023, his car was stolen and was not recovered. He contacted Admiral to claim for this loss. At the end of October 2023, Admiral considered the market value for the car, which is what the policy covered, to be £24,540, less the applicable policy excess.

Mr C was not happy with this, and obtained a report, at a cost of £350, to challenge Admiral's valuation. Having obtained a report of its own, Admiral increased its offer to £25,245 less the excess. And added interest to the increase, as well as awarding Mr C £25 compensation for the inconvenience caused. But Mr C remained unhappy with this and brought his complaint to the Financial Ombudsman Service.

Our Investigator recommended that the complaint be upheld. Having looked at the available vehicle valuation guides, and using an estimated mileage figure he thought reasonable, he considered Admiral should increase the claim settlement to £27,368.50 less the excess. He also thought Admiral should add interest to any amount of this not previously paid to Mr C. Our Investigator also recommended that Admiral pay the £350 Mr C spent on the report.

Mr C accepted this outcome, but Admiral did not. Admiral did say that it was willing to cover the cost of the report Mr C had obtained, as a gesture of goodwill. And that it was willing to increase its offer to £25,773. But it did not consider the amount the Investigator had recommended to be fair.

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 am upholding this complaint. I'll explain why.

Admiral has agreed to cover the cost of the report Mr C obtained. So, I will not expand on my thinking on this point in detail, other than to say I agree this is fair and reasonable. The initial offer Admiral provided was below the market value. Mr C should not have been offered this, and reasonable costs he incurred in challenging this are something Admiral is fairly and reasonably responsible for in the circumstances.

In terms of the valuation of the car, as I have said, the policy provides that, where a cash settlement is payable for a lost car, this settlement will be based on the market value of that car. Market value is defined within the policy, but as both parties have access to this, I have

not set this out here. This is also a reasonably standard approach in motor insurance.

A common way of calculating market value is to use the available motor trade guides. However, I consider that in order to come to a fair valuation, multiple guides should be used. Initially, Admiral used an average across two guides (it also did this using an average mileage of 63,000, even though its estimate of the actual mileage was 61,666).

However, I think it is necessary to also take into account the other available guides. These provided a range of valuations – which also differed slightly depending on the mileage used, a point I will return to.

Once valuations have been obtained from multiple guides, it is necessary to think about how these are used. As long as none of the guides produce what is obviously an anomalous result, I think the starting point is to use the highest valuation produced. I don't think it is appropriate to use an average.

This starting point can of course be challenged. This might be through adverts of available, equivalent vehicles, or through expert reports. Admiral has suggested that adverts market cars higher than their sale price, so do not evidence true market value. I am not convinced that this actually the case at the current time though. But there has been limited reference made to individual advertised vehicles in this case anyway.

Admiral has also said that it provided an expert report, which concluded that the appropriate value for Mr C's car is £25,245. Expert reports are useful and can lead to different valuations. But it is necessary to consider the content of those reports and basis of their findings.

The expert report Admiral provided merely refers to a single guide valuation and says that the expert considers this to be the value of the vehicle. Other than the existence of this trade guide value, no rationale has been given for the expert's conclusion. Without some explanation of why the expert considered this trade guide valuation to be correct, taking into account the existence of other higher values from different guides, I am not persuaded that this demonstrates that it is appropriate for the highest valuation available not to be used in the circumstances of this case.

In summary, I consider it fair and reasonable that the higher valuation produced by the trade guides is used as the basis to settle Mr C's claim.

However, it is necessary to think about the mileage used to generate this valuation. As the car was stolen and not recovered it is not possible for us to accurately know what its mileage was at the time of loss. We do know what the mileage was at its last MOT, and we know the declared annual usage of the vehicle. Based on this information, a mileage of around 61,666 is probably about right. However, none of the valuations produced have actually used this figure. It isn't clear why not, though potentially the system Admiral uses requires the number to be rounded up (though why it then produced values using a mileage of 64,000 is unclear).

Our Investigator has not used this mileage to generate the valuations from the guides either however. Instead, he has averaged the valuations produced using the MOT mileage and a mileage of 62,000. Whilst mileage may not be the only determinative factor in value, this effectively is producing valuations using a mileage of 60,847.

Applying a similar method of averaging to the value produced, the average of a valuation relating to 60,847 miles and to 62,000 miles would give £27,316.75 against a mileage of 61,423.5. Whilst it is accepted that valuing second hand cars is not an exact science, I consider that this would've been a fair and reasonable settlement of the claim.

This figure is slightly below the figure the Investigator has recommended. However, I also note that Admiral only awarded Mr C £25 compensation for having incorrectly valued his car the first time around. Given the ongoing distress and inconvenience caused to Mr C by Admiral's repeated refusal to settle the claim at the higher valuation – which persisted even beyond the Financial Conduct Authority having issued the findings of its multi-firm review into vehicle valuations on 27 March 2024 – I consider it would be fair and reasonable if Admiral paid Mr C more compensation than this.

Looking at things in the round though, I believe this additional compensation would be offset by the slightly higher valuation set out in the Investigator's recommendation. So, in the interests of resolving this complaint as quickly and informally as possible, I consider settling the claim using this slightly higher valuation to be the fair and reasonable outcome.

Putting things right

Admiral Insurance (Gibraltar) Limited should put things right by settling Mr C's claim at £27,368.50, less the applicable excess.

Admiral should add interest to any part of this settlement not already paid to Mr C, from 28 October 2023 (the date of the original offer) to the date of settlement. This interest should be calculated at a rate of 8% simple per annum.

If it has not already done so, Admiral should also pay Mr C the £350 he spent on obtaining the report, and the £25 offered as compensation.

My final decision

My final decision is that I uphold this complaint. Admiral Insurance (Gibraltar) Limited should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 31 May 2024.

Sam Thomas
Ombudsman