

## **The complaint**

Mr S complains about the way Admiral Insurance (Gibraltar) Limited handled a claim under his motor insurance policy.

## **What happened**

The following is intended as a brief summary of events only. Mr S was involved in a non-fault car accident in October 2023 when his parked and unattended car was hit by a third-party driver. He contacted Admiral to make a claim for the damage.

Admiral deemed the car a total loss – meaning the cost of the repairs exceeded the value of the car. As Mr S's car was under a lease agreement, Admiral settled the claim by paying the lease company directly for the outstanding balance owed in line with the terms and conditions of the policy - but they deducted the outstanding policy premium from the settlement. Mr S says this caused him a financial loss as he had to find the outstanding balance elsewhere to settle with the lease company directly.

Mr S also said he was provided with a replacement hire vehicle through a credit hire agreement with another company - but this ended when his car was deemed a total loss and the finance payment raised. Mr S says this meant he had to incur further costs in sourcing and paying for another hire vehicle.

Mr S was also unhappy about Admiral's handling of the claim, so he raised a complaint to Admiral. He said Admiral had caused delays when his lease provider was chasing Admiral for the settlement amount, and Admiral not actioning tasks within the right timeframes. Admiral responded to Mr S's complaint and upheld it in part – and they ultimately awarded £225 compensation for their service failures. But they said they had acted within the terms of the policy in relation to the settlement of the total loss and deductions made.

Mr S wanted our service to investigate whether a fair settlement was issued and to consider the service around Admiral's settlement of the claim. He would like reimbursement for his personal hire costs and fair compensation for the impact of the poor service provided.

Mr S remained unhappy with Admiral's reply, so he brought the complaint to this Service. An Investigator looked at what had happened and upheld the complaint. She said Admiral hadn't properly considered the up-front payment Mr S had made when he took out the lease agreement, and Admiral should make a payment to account for this. She also recommended that Admiral should pay an additional £100 compensation for distress and inconvenience caused.

Admiral agreed with the Investigator's outcome, but Mr S didn't. He said Admiral's actions had left him at a financial loss and he wanted to recover the expenses he'd incurred. He asked for an Ombudsman to consider the complaint – so it's been passed to me to decide.

I issued a provisional decision of this complaint on 4 December 2024. I've set out my provisional findings below:

*“The details of this claim are well known to Mr S and Admiral so I’m not going to outline each of these individually. This is not intended as a discourtesy to Mr S, but instead reflects the informal nature of this Service. This means I’ve focused on what I consider to be the key issues of the complaint – however I assure both parties I have read and considered everything submitted carefully.*

*Under the terms and conditions of the policy, Admiral are required to pay the lease company directly in the event of a total loss – the terms say:*

*“...If your vehicle is on lease or contract hire, we will pay the lease or contract hire company either the market value of the vehicle, or the amount required to settle the agreement, whichever is less.”*

*I can see the Investigator previously explained that because the outstanding amount due under Mr S’s lease was less than the market value guides Admiral used, they paid this lower sum, in line with the terms and conditions of the policy that I’ve outlined above. I find this to be fair in the circumstances as Mr S shouldn’t be paid a higher sum than was left to pay under his lease.*

*However, I don’t agree that it was fair for Admiral to deduct any outstanding premium due. I say this because while the terms of Mr S’s policy say “We will deduct any outstanding premium and charges owed from any claim settlement we make to you.”, the agreement to pay the policy’s premium monthly is separate to the insurance policy.*

*While I recognise the terms of the policy allow for this, I would consider it good industry practice for Admiral to have paid the total outstanding balance of Mr S’s lease, and then allowed him to continue to pay the finance provider of the insurance premiums monthly, until the conclusion of the agreement with them. This would also have allowed Mr S to potentially purchase a new vehicle and then add it on to his existing policy with Admiral. As this didn’t happen, I think Admiral acted unfairly and they should pay compensation for the inconvenience of Mr S having to source alternative funds to make up the shortfall to the lease company.*

*I can also see the Investigator outlined that Admiral should make a payment to account for the initial payment Mr S made under the lease, which she said would be considered a financial loss, because Mr S would need to find a new deposit 20 months earlier than planned. The Investigator recommended that Admiral should pay as follows:*

*“After deducting the equivalent of the first month’s payment the net additional upfront payment was £2,002.68, meaning the refund due to Mr S should be  $£2,002.68 \times 20/47 = £852.21$ . Admiral should also apply 8% simple interest on this amount from the date of the finance settlement to the date of the settlement.”*

*I can see Admiral agreed with this approach. And Mr S queried the interest that would be paid as part of this resolution – but otherwise appeared to agree. I’ve looked at this calculation and considered whether it would be fair and reasonable for Admiral to pay this. Having done so, I think they should, for the same reasons given by the Investigator.*

*I can see Mr S raised several concerns relating to the provision of a replacement car at the start of his claim. These include the suitability of the replacement car for his family and the total cost being claimed for it from the third-party’s insurers. Mr S also*

says he had to ask for help from his employer to pay for an additional hire car when the replacement car was taken back due to Admiral settling his total loss claim.

*I understand the replacement car was provided by another company under a credit hire agreement, and not under the terms of Mr S's policy with Admiral. While I appreciate Admiral informed this company they'd settled the claim, the decision to end hire would have been made by that company, and not Admiral itself. The suitability of the replacement car and the costs being claimed are also not something Admiral were involved in, nor did they pay these costs. This means I'm unable to consider those points as part of this complaint and I won't be making any findings in relation to hire ending, or the cost or suitability of the hire car provided. Should Mr S remain unhappy he was referred to credit hire in the first instance, he would need to raise these concerns with Admiral directly as part of a separate complaint.*

*I also understand Mr S is currently pursuing additional financial losses through Admiral's appointed solicitors as part of his claim. As these are uninsured losses outside of the policy, it wouldn't be fair or reasonable for me to ask Admiral to pay these, so I don't intend to make a further finding on them.*

*Mr S raised several customer service concerns about poor communication and calls not being returned, the lease company having to chase the settlement, and general stress and inconvenience of having to chase for claim updates from Admiral. I can see Admiral have already agreed there were failures in how they dealt with the claim. And they've made a total compensation offer of £225 to reflect their failures to communicate with Mr S, which caused him to have to chase for updates. I can also see the Investigator has recommended Admiral increase this by a further £100.*

*As Admiral have already confirmed they did something wrong here, I don't intend to make a specific finding on this point. Instead, I've thought about whether Admiral's offer is enough compensation to reflect the impact on Mr S of the shortcomings in their service. I don't think it is – and I'll explain why.*

*I've thought about the experience Mr S had when dealing with this claim and I've considered everything Mr S has said about the impact on him. I have sympathy for Mr S in having to find additional funds to settle the lease agreement and the poor and stressful claims experience he had. Having thought about everything that's happened, I'm satisfied £450, inclusive of Admiral's previous offer of £225, is a more suitable sum to recognise the impact of their actions.*

### **My provisional decision**

*For the reasons given above, I'm minded uphold this complaint. If I do, I'll require Admiral Insurance (Gibraltar) Limited to pay:*

- *£852.21 as the pro-rata refund of the upfront payment on the lease agreement. Admiral should also apply 8% simple interest from the date of the finance settlement to the date this payment is made; and*
- *Pay £225 compensation (in addition to the £225 already paid) for a total of £450 for distress and inconvenience caused."*

I invited both parties to respond to my provisional decision with any further information or

evidence they wanted me to consider. Mr S replied and said he agreed with my provisional findings, expect to highlight that he hadn't been paid any compensation by Admiral at this point.

Admiral responded to my provisional findings and said they largely agreed, except for my findings on them deducting the outstanding premium from the total loss settlement paid to Mr S. They said they'd acted fairly under the terms and conditions of the policy which Mr S accepted when taking out the policy. Admiral said it was standard practice for any outstanding policy premium to be deducted from a total loss settlement as this money is owed and they didn't agree the agreement to pay monthly is separate to the insurance policy.

### **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.

I've thought about Admiral's comments about their decision to deduct the outstanding finance payments from the total loss settlement paid to Mr S. I do appreciate they feel this was fair given the policy's terms – but under DISP 3.6.1, my remit is to determine a complaint by reference to what is, in my opinion, fair and reasonable in all the circumstances of the case.

Ultimately, the purpose of the total loss settlement is to enable Mr S to be able to replace his car. And I don't think a consumer can reasonably do that if an insurer decides to deduct the premium finance from the total loss settlement they pay, because this reduces the amount they receive.

The premium was paid upfront by taking out a finance agreement which exists separately to the policy itself. So, I would consider it fair and reasonable for him to retain the right to continue paying over that previously agreed period.

Instead, Admiral's decision to deduct the outstanding premium finance from the total loss settlement forces a customer to pay their premium in a lump sum where they had opted not to do this previously by taking out a finance agreement. And I find this left Mr S in an unfair situation given he then had to pay for the difference at short notice.

I would consider it good industry practice for Admiral to have paid the total outstanding balance of Mr S's lease, up to the car's market value, and without deducting the outstanding balance on the finance - unless it had Mr S's permission to do so, in line with the terms of the policy. This would allow Mr S to continue to pay the finance provider of the insurance premiums monthly, until the conclusion of that agreement with them. This would also have allowed Mr S to potentially purchase a new vehicle and then add it on to his existing policy with Admiral, without having to end cover and take out a new policy and a new finance agreement.

### **Putting things right**

Overall, while I take on board Admiral's comments on the deduction of the finance payments from Mr S's settlement - I'm satisfied my decision produces a fair and reasonable outcome to this complaint. So, I'm not persuaded to come to a different conclusion than I did previously.

And as neither party has provided any further information for me to consider in relation to the other findings I made in my provisional decision, I see no reason to depart from what I said previously on these points.

## **My final decision**

For the reasons given above, it's my final decision that I uphold this complaint. I require Admiral Insurance (Gibraltar) Limited to:

- Pay £852.21 as a pro-rata refund of the upfront payment on the lease agreement. Admiral should also apply 8% simple interest from the date of the total loss settlement to the date this payment is made; and
- Pay £450 compensation for distress and inconvenience caused to Mr S.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 13 January 2025.

Stephen Howard

**Ombudsman**