The complaint

Mr T is unhappy with the amount Mapfre Asistencia, Compania Internacional De Seguros y Reaseguros, S.A. (Mapfre) settled his guaranteed asset protection (GAP) claim for.

What happened

Around September 2017, Mr T bought a new motorbike. He also bought GAP insurance provided by Mapfre.

Unfortunately, Mr T's motorbike was stolen in 2019. He received a £12,250 settlement from his main motor insurer. He then notified a claim on his GAP policy. Mapfre offered him a settlement of £2,698.25. Mr T says this is too low as it's based on a valuation of £14,654 for a replacement motorbike – whereas he'd need to pay around £17,000 for a new motorbike from the same manufacturer.

Mapfre said it got the cost valuation from Glass's motor price guide. As this was lower than what Mr T originally paid for his motorbike, it paid the difference between the higher amount he originally paid – and the settlement from his main motor insurer. Plus it paid £250 for his motor insurance excess. It said this was fair and in line with the terms of the policy.

Mr T referred the matter to our service. Our investigator didn't uphold the complaint. As Mr T disagreed, another investigator reviewed the case. He explained that, as per the policy terms, the settlement is determined by Glass's motor trade guide rather than advertised prices – which often build in margins for negotiation. After reviewing the policy terms and how the settlement had been calculated, he was satisfied the amount offered was fair – taking into account the guide price for the version of Mr T's motorbike available new at the time of his claim. He said the valuation was lower than what Mr T paid originally, so it was to his benefit that Mapfre used his original invoice price to calculate the settlement.

Mr T disputes that he could buy a new replacement bike for the price the guide suggests. He thinks it's at least £1,000 too low. The case has now been passed to me for a final 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 satisfied Mapfre has settled this claim fairly. I'll explain why.

As a starting point, I've reviewed what the terms and conditions of the policy say about how claims will be settled. If a GAP claim is met, the terms say Mapfre will pay:

*"the difference between the **Motor Insurance Settlement** and the greater of:*

*a) The cost, at the date of **Total Loss** by reference to **Glass's Guide**, of replacing the **Insured Motorcycle** with another of the same age, model, specification and mileage as at the date **You** purchased it. For example, if **You** purchased a 1 year old motorcycle with 10,000 miles on the odometer and this was declared a **Total Loss** after 2 years, this policy would pay the difference between the **Motor Insurance Settlement** and a 1 year old motorcycle of the same specification, with 10,000 miles on the odometer at the date of **Total Loss***
*If the original model is no longer available, the cost, by reference to **Glass's Guide**, of an equivalent superseding motorcycle with the same age, model, specification and mileage as at the date **You** purchased the **Insured Motorcycle** will be used. Where an equivalent superseding motorcycle is not listed in **Glass's Guide**, the Claims Administrator will obtain the cost of a replacement or equivalent superseding motorcycle by assessing the average of three independent market valuations*
*b) if **You** financed the purchase of the **Insured Motorcycle**, the **Finance Early Settlement Balance** payable to the **Finance Company** at the date of **Total Loss***
In the unlikely event the replacement motorcycle costs less than the original purchase price, the policy will pay the higher of either the outstanding finance balance or the original purchase price.

In the unlikely event the replacement motorcycle costs less than the original purchase price, the policy will pay the higher of either the outstanding finance balance or the original purchase price."

As Mr T bought his motorbike new, he's entitled to the difference between his motor insurance settlement and the cost of a new bike of the same specification (or what he originally paid, if that's higher). Mapfre broke down its GAP settlement as follows:

"Replacement vehicle price Reference to Glass's Guide: £14,698.25
Less Insurance settlement including policy excess: £ 12,250.00
Excess £250.00
GAP payment £2,698.25"

It's explained the replacement vehicle price it used – £14,698.25 – is what Mr T originally paid for his motorbike, as that was higher than Glass's price for a new bike – £14,654. But Mr T is unhappy that Glass's estimate doesn't match the manufacturer's price. So, I consider the key question here to be – is the replacement cost Mapfre used fair?

The terms specify that the replacement cost used will be determined "*by reference to **Glass's Guide***". Mapfre showed us that it used the list price according to Glass's for the same model Mr T had with zero mileage. I'm satisfied this has been calculated correctly. But, as our second investigator noted, Mr T was entitled to the replacement cost of a bike not only of the same specification and mileage but also of the same age as when he bought it. He's told us he could no longer buy his 2017 model new in 2019. My research suggests that's correct. So, in line with the policy terms, Mr T's settlement should be based on the replacement cost (according to Glass's) *"of an equivalent superseding motorcycle with the same age, model, specification and mileage as at the date **You** purchased the **Insured Motorcycle**".*

Our investigator therefore checked Glass's list price for a new model as of 2019, with at least the same specification as Mr T's original bike, and found it was valued still at £14,654. Mr T has questioned this. He thinks the guide is wrong. But the policy terms make it clear that this guide will be used. So that's my starting point for what's fair – as both parties have ultimately agreed to these terms. And motor guides such as Glass's are based on extensive nationwide research on likely selling prices. I'm satisfied this is more reliable than using the manufacturer's advertised price. Dealers may have been selling the motorbike for less than the manufacturer – and advertised prices may build in scope for negotiation.

Additionally, Mr T has told me that although the 2017 model was no longer available, the 2018 version was still being sold new. He says this was still around £1,000 more than Glass's valuation. But, taking into account the points I've made above about why we generally find the guides more reliable than advertised prices, it could be a factor in the apparent size of the discrepancy. I think the reasonable interpretation of the policy is that it covers the closest superseding model rather than the newest model available. In essence, the policy is designed to protect Mr T's loss rather than to provide him with a better model.

I understand Mr T's disappointment in the settlement and his reasons for pursuing this case. But overall, I'm not persuaded the available evidence substantiates his allegation that Glass's valuation is inaccurate or unfair. I'm therefore not increasing the settlement.

My final decision

For the reasons explained above, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 25 September 2020.

Rachel Loughlin
Ombudsman