DRN-2171243

The complaint

Mr B has complained about the settlement he received from Ageas Insurance Limited ("Ageas") after his motorcycle was written off.

What happened

Mr B's motorcycle was assessed as a write-off (total loss) by Ageas following a no-fault accident in October 2019. Ageas said the pre-accident market value of Mr B's motorbike was £3,092 and offered him this amount, less the £1,000 excess and a 20% deduction because the bike was previously a category C write-off, to settle his claim.

Mr B disagreed with the valuation. He said he was aware when he bought the motorcycle that it had previously been written off, but he said it was fully repaired and was in pristine condition when he bought it. Mr B complained to Ageas.

Ageas' agent responded and didn't uphold Mr B's complaint. It said the valuation was based on the average of the three main valuation guides available to insurers. There was then a deduction of 20% applied due to the adverse history. Ageas said this deduction was not unreasonable because any future buyer might look to pay less than the market value, as the bike was a previous total loss.

Mr B was unhappy with the response from Ageas and referred this matter to our service. He said he valued the motorbike at just under £5,000 when he took out the policy, and said Ageas calculated his premiums based on that amount and so should use that as a valuation figure now. Mr B said he's in a position where he will have to find several thousand pounds to be able to buy a comparable motorbike.

Our investigator didn't uphold the complaint. She said Mr B's policy states he'll be paid market value in the event of a claim. She said an amount of £4950 was listed on Mr B's policy schedule, but there was nothing to suggest this was an agreed value policy instead of a UK market value policy, which is the most common type of policy in the UK. She said if this was an agreed value policy, the insurer would most likely have asked for a valuation and agreed the amount before the policy was taken out.

To determine market value, our investigator said she'd expect Ageas to use the retail trade guides available. She said assessing the value of a used vehicle isn't an exact science. Our investigator looked at how Ageas used the guides and also checked the guides herself, and she said Ageas arrived at a figure that was higher than the one she calculated. So she was satisfied Ageas paid Mr B slightly more than an average of all three guides.

Our investigator said it was fair for Ageas to make the 20% deduction because the motorbike had previously been written off and total loss vehicles can often be sold for a cheaper price than comparable vehicles that have not previously been written off.

Mr B was unhappy with the outcome and so this has come to me for a decision.

I issued a provisional decision on 6 August 2020. I said I was intending to come to a different conclusion to that of our investigator and uphold Mr B's complaint and ask Ageas to pay an amount of £3,729, less the excess and less the deduction made because the motorbike had previously been written off. I also said I thought Ageas should reduce the deduction related to the motorbike having been written off from 20% to 10%. I gave both parties the opportunity to respond.

Ageas responded and has agreed to what I outlined in my provisional decision and said it calculated the shortfall owed to Mr B as £882.24.

Mr B responded and did not agree with the outcome. He said his motorbike had an insurance valuation of £4950 and a valuation carried out prior to the accident indicated it was worth £5,000. Mr B said the previous owner dealt with all of the write off damage and the motorbike was back to being in pristine condition, so he would like the 10% reduction to be disregarded. Mr B also said his motorbike had very low mileage of around 10,000 miles. Mr B raised concerns that the motorbike was very seriously under-valued by both Ageas and its agent. And he was also concerned about what he says is a considerable difference between the settlement amount and the amount he believes he would have to pay to get a comparable motorbike.

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 upholding Mr B's complaint. And while I've considered the comments made by Mr B following the provisional decision, they haven't changed my decision.

I've first of all looked at the type of policy Mr B took out – so whether it was an agreed value policy, which Mr B thinks it should be, or a market value policy. And I'm satisfied it's a market value policy. I'll explain why.

I can see that the policy schedule includes the value of £4,950 that Mr B placed on the motorbike. And the policy documents outline the type of cover provided. These say Mr B is covered:

"….if your motorcycle is damaged or destroyed up to the UK market value of your motorcycle, unless we have agreed a value with you which is detailed on your policy schedule."

If Mr B had been applying for an agreed value policy, then he would have needed to do more than simply state how much he thinks the motorbike is worth while applying for the policy. The insurer would have needed to agree that the value entered on the application form represented the value they were willing to insure the motorbike for. And a valuation may have needed to be carried out to establish the true value of the bike.

I appreciate that Mr B might not have known that this was the process that he had to go through to take out an agreed value policy. But I think it's reasonable to expect both parties to have actively agreed to the valuation for this to be considered an agreed value policy.

Market value is defined in Mr B's policy as:

"The cost of replacing your bike with another bike of the same make, specification, model, age, mileage and condition as your bike immediately before the loss or damage happened."

Ageas used three motor vehicle guides to arrive at its valuation. These guides are based on extensive nationwide research of likely selling prices. So this service finds these guides more persuasive than other methods of valuing vehicles.

Ageas provided us with details of how it arrived at two of the valuations and so I don't intend to rely on the third (CAP) valuation because I can't see how that valuation was arrived at. I've used the same two guides as Ageas – I would usually use a third (CAP) but it isn't available on this occasion – and I've arrived at a different average valuation.

The valuations calculated by Ageas were:
Glass's £2,742
Cazana £3,540

The valuations I calculated were:
Glass's £2,770
Cazana £4,688

The date used by Ageas when it calculated the valuations was incorrect. It used 5 November 2019 when it should have used 5 October 2019, as this was the date of the loss and so best represents the pre-accident value. And I've also used the "retail franchise" figure for Cazana, rather than the "retail" figure used by Ageas. The average of the two valuations I've used is £3,729 and so Ageas should pay this, less the excess and less a deduction because the motorbike was previously written off, to Mr B.

I realise that one of the valuation tools I've used – Cazana – has given me a significantly higher valuation in July 2020 then it gave Ageas in November 2019. And the incorrect date used by Ageas doesn't account for this difference. But Cazana valuations are reviewed and amended when new data is received. So I'm satisfied that the higher valuation is likely to be the most accurate, as it relies on the most recent data.

It's important to point out that Ageas hasn't done anything wrong here. It's used the correct guide in the correct way. So although I'm asking it to pay more, this is not because of an error on its part. It's just because one of the motor vehicle guides has provided a different valuation.

Mr B also said he didn't think it was fair for Ageas to deduct 20% off the settlement value because the motorbike had previously been written off. It's certainly the case that vehicles that have previously been written off can be valued and sold at less. And while I think it's fair to make a deduction of some sort, I think 20% is excessive specifically in relation to motorbikes. I think a more reasonable amount is 10%.

I know my decision will disappoint Mr B, but I'm satisfied that asking Ageas to make an additional payment of £882.24 is reasonable in the circumstances, for all the reasons I've outlined above.

My final decision

My final decision is that I uphold this complaint and I require Ageas Insurance Limited to pay Mr B the sum of £882.24, in addition to the settlement payment already made.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 9 October 2020.

Martina Ryan

Ombudsman