

The complaint

Mr N has complained that Advantage Insurance Company Limited ("Advantage") has undervalued his motorbike after it was written off following an attempted theft.

What happened

The background to this complaint, and my provisional thoughts, were set out in my provisional decision dated November 2020. An extract from this is below:

What happened

The details of this complaint are well known to both parties, so I won't repeat all of them again here. Instead I'll give a summary of what's happened and then focus on giving the reasons for my decision.

Mr N's motorbike was parked outside his work when an attempted theft of it took place. Mr N contacted the police about the attempted theft, and Advantage about the damage caused to the bike in the process.

After considering the damage to the bike, and the cost to repair it, Advantage decided the bike was a total loss. That's to say, it uneconomical to repair the bike based on the cost of the repairs and the value of the bike itself. So, it offered Mr N £2,575, which it says is the pre-accident market value of the bike. It used figures provided by two of the national motor trade guides (Glass's and CAP) to decide what the pre-accident market value of Mr N's bike was.

Mr N wasn't happy with the valuation of his motorbike. He says that he wouldn't even be able to replace his bike with an older model with the figure Advantage offered. Mr N also says that his bike had some modifications, which he informed Advantage of, but it failed to record. He believes this is affecting the value of the bike.

Mr N enquired about buying back the salvage of his bike from Advantage. Advantage quoted Mr N a price of 40% of the pre-accident market value of the bike, which he feels is too high. He also says that Advantage's salvage partner has repeatedly contacted him about collecting the bike, but he hasn't agreed to have it collected as he wants to agree to the valuation and receive payment for it first. He also says that he wants to replace the modifications – hydro dipped panels – with panels of a standard specification before the bike is collected.

Mr N also says that Advantage wasn't able to give him the correct information about the retention figure when he asked it. He says it wasn't clear whether the 40% quoted was the price he'd have to pay to retain the bike, or the reduction of the market value that he'd have to pay (meaning he'd have to pay 60%).

Our investigator thought that Advantage had valued Mr N's bike fairly. But he didn't think it had quoted a fair retention price to Mr N in the case that he wanted to retain the bike. He recommended that Advantage change its retention fee to 25% of the

pre-accident market value, or allow Mr N 30 days to change the bike back to standard specification before settling the claim in full.

The investigator also recommended that Advantage should pay Mr N £100 compensation for the service issues in relation to being contacted by the salvage company, and because it wasn't able to tell Mr N exactly what the salvage figure was.

Neither party fully agreed with the investigator's recommendations, so the case has been passed to me to make a decision.

My provisional findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Whilst there have been several points raised throughout this claim, there are two key points for me to consider here. The first is whether Advantage has used a fair process to reach a valuation for Mr N's bike – considering the modifications. The second is whether Advantage offered Mr N a fair price for him to retain the salvage of the bike.

Having thought carefully about everything, I agree with the conclusions reached by the investigator in relation to the valuation of Mr N's bike. But I've reached a different conclusion in relation to the price Mr N was quoted to retain the salvage. I'll explain why.

The investigator has explained our approach to dealing with complaints about valuations. We generally think it's fair for insurers to rely on motor trade guide prices, as they're based on extensive national research of likely selling prices. We think adverts can be unreliable. That's partly because they usually show prices that are open to negotiation. There's often also great variation between advertised prices for what seem to be similar vehicles.

The motor guide valuations also assume the vehicle is roadworthy and has been maintained, with an up-to-date service history. So, I've assumed the price they've shown is a fair reflection of Mr N's bike.

Advantage has provided screen shots of the industry standard guides it used to value Mr N's bike – Glass's and CAP. I note the most consistent valuations, taking into account the bike age, condition, and mileage, were £2757 and £2686. Our investigator also ran these checks, as well as an additional one, and found that the way Advantage valued the bike is in line with what we'd expect a business to do.

Having considered everything, I think Ageas acted reasonably when it provided the valuation for Mr N's bike. It offered Mr N the average valuation of those set out in the two main trade guides, and a valuation within an acceptable range of the values the investigator found.

Whilst I understand there is a dispute as to whether Mr N declared the modifications to the panels on his bike, I'm not going to dispute what he's said. I accept that he did call Advantage, and he was told the panels didn't need to be declared. But I also note that the renewal documents sent to him in June 2019 – after Mr N says he called Advantage but before the claim – make no mention of any modifications to the bike.

I firstly note that although there were modifications to Mr N's bike that Advantage says it didn't know about, it has continued with Mr N's claim. Its claim notes suggested that as a fairly small portion of the bike was modified, the modifications

are acceptable (even if not declared) on the basis that the standard valuation is used. I think this is a reasonable way for Advantage to have dealt with the situation in which there was a potential issue of non-disclosure.

Whilst this point is still in dispute, I've gone on to consider whether, and how, this would affect the valuation of the bike. Mr N's insurance policy states:

"This policy does not cover any non-standard parts (modifications). Manufacturer's optional extras are only covered if they have been declared and your insurer has agreed to arrange cover for them. If you make a claim for loss or damage to your motorcycle, your insurer will only pay the cost of replacing parts needed for your motorcycle to meet the manufacturer's standard specification. Failure to notify us of a modification may result in your policy being cancelled or treated as if it never existed, or in your claim being rejected or not fully paid."

Having considered the above, I don't think Advantage is wrong not to consider the modifications to Mr N's bike when reaching its valuation. Whilst I understand that modifications often make a vehicle more valuable to the owner, that doesn't automatically mean that the market value increases. And modifications to vehicles often don't increase the value of a vehicle by as much as the cost of the modification itself. In fact, it could be argued that modified vehicles could be less attractive to some potential buyers, and therefore decrease the value. So, taking all of this into account, as well as the policy wording, I don't think Advantage is wrong to value Mr N's bike based on the pre-accident value of the standard specification.

Despite the point above, I wouldn't expect Advantage to gain the modified panels as a result of this claim. So, I don't think it's fair for Advantage to be able to keep the panels that Mr N fitted. It's fair for Mr N to provide the bike, if he chooses to, with standard panels, which he'd need to replace at his own expense before collection.

I note that Mr N has raised a point about the wiring loom of his bike also being damaged. He says this wasn't previously considered as it has only come to light more recently.

Whilst I understand that this could cause more work, and mean Mr N has to spend more to fix his bike if he retains the salvage, this doesn't change my thoughts on what's happened. Advantage's valuation of the bike is based on the pre-accident market value, which means the value of the bike before considering any of the damage to it. So, as I'm satisfied with the way Advantage has reached that value, the extent of the damage caused by the attempted theft doesn't change my thinking.

Turning to the cost that Advantage quoted Mr N to retain the salvage of the bike, Advantage has provided several examples of sale prices of similar motorcycles to its salvage partner. These suggest that Advantage received an average of around 40% of the market value of the bikes when they were sold as salvage.

Our investigator said that this value seems particularly high. And I do agree, the values are higher than salvage retention figures we'd usually see. But that's not to say that they're unachievable, or incorrect.

I've firstly noted that the salvage cost of 40% that Advantage has quoted is based on three previous sales. The three examples it has provided didn't each produce the same return, so I'm satisfied that there's not a simple calculation that Advantage uses to reach the salvage price. There's very little further information about these sales, although I accept they were for the same model of bike as Mr N's.

I've considered the fact that relationship between Advantage and the salvage company may've increased the prices it was able to obtain as salvage. But based on the information Advantage has provided, I'm satisfied that it's likely it would've been able to achieve a figure around 40% of the market value of Mr N's bike, if it were to sell it as salvage. The motorcycle salvage market can typically produce slightly higher salvage prices than cars, given that salvaged motorcycles tend to be more desirable to repair, leading to an increased demand for them. And so I don't think Advantage has reached an unrealistic salvage retention fee.

Whilst I understand that our investigator thought the salvage figure quoted was too high, I'm afraid I don't agree. I understand the thinking behind the investigator's findings, but from what I've seen it'd be unfair for me to ask Advantage to lose out by selling the salvage to Mr N for less than it could get elsewhere. And, as I'm satisfied that the salvage retention fee of 40% of market value is a considered number based on the salvage market for motorcycles, I think it's fair.

Having considered everything, I think Advantage has acted fairly by quoting Mr N 40% of the market value of his motorcycle to retain the salvage.

Finally, I've considered the servicing issues that Mr N faced during the claim.

It's evident from Advantage's contact notes that the salvage company did in fact try to contact Mr N to collect his bike on several occasions, although a settlement hadn't been reached. And the notes suggest that Mr N raised this with Advantage, but it continued to happen.

The investigator also listened to the call between Mr N and Advantage, where Mr N says he wasn't given clear information about the salvage price. The investigator noted that Advantage wasn't able to answer Mr N's questions, so the representative said he'd need to double check. But there's nothing to suggest that this was done, nor that Advantage contacted Mr N to explain the correct figure.

I think that the £100 compensation the investigator recommended is a fair way to compensate Mr N for these failings. Whilst I can understand they caused additional inconvenience to Mr N, making an insurance claim is inconvenient in itself. And I think £100 adequately reflects the impact that these additional issues had on Mr N's overall claim.

It follows that I don't currently intend to uphold this complaint in relation to the way that Advantage valued Mr N's written off motorcycle, or the figure of 40% of market value that it has quoted for Mr N to retain the salvage of his bike. But I uphold the part in relation to the service he experienced throughout the claim.

In my provisional decision I set out why I wasn't minded to uphold the complaint about the valuation, but I explained that I thought Advantage should compensate Mr N with £100 for the poor service it had offered. I also explained how I proposed things should be put right in relation to the claim itself. I invited both parties to let me have any further comments and evidence. Advantage responded agreeing with my provisional findings. Mr N replied explaining why he didn't agree.

In his response Mr N explained that he didn't agree with the 40% retention fee, as he'd previously been paid £160 for a scrap van, which consisted of a lot more scrap metal. He also explained that he intends to start legal proceedings against Advantage to court if he's not awarded at least £3,200 for his bike.

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'd like to start by apologising for the distress and upset that Mr N clearly felt as a result of my provisional decision. It certainly wasn't my intention to make him feel that way, but I do understand why he does. However having reviewed his comments, in conjunction with my provisional findings, I haven't changed my decision.

I've thought very carefully about Mr N's comparison to the scrap metal that he was paid for a van, against what he's being asked to pay for his bike. And I understand the point Mr N is trying to make. But it's important to note that when vehicles are sold to salvage companies to offset insurance companies' losses from a claim, the vehicles aren't always sold purely for their scrap value. The salvaged vehicle may be sold on to be repaired, or to be broken down and their parts to then be re-sold. Some vehicles are more desirable for these purposes, and this can affect the amount the insurance company is able to recover when selling the vehicle. So whilst I understand Mr N's point in relation to the value of the van he scrapped, the salvage value isn't based on the weight of the scrap metal alone, so this doesn't change my decision here.

I also understand that Mr N intends to start legal proceedings against Advantage. I cannot comment on, or influence Mr N's decision on whether to do that. But I previously explained that I felt the way Advantage had valued his motorcycle was fair, and this hasn't changed as a result of Mr N's further comments.

I'm sorry to disappoint Mr N but for the reasons I've explained here, although I'm upholding part of this complaint, I haven't changed the way things need to be settled.

Putting things right

If Mr N accepts my decision, I require Advantage Insurance Company Limited to:

- Either

Pay the market value for the bike, minus a salvage retention fee of 40% of the market value and the policy excess, if Mr N chooses to retain the salvage.

- Or

Settle the claim based on the market value of the bike, minus the policy excess, if Mr N chooses *not* to retain the salvage. Advantage should then allow Mr N 30 days from the date of settlement to change the hydro dipped panels to standard panels. Advantage can arrange for collection of the bike after 30 days, or before that if Mr N lets Advantage know he is ready for the bike to be collected sooner.

- And

Pay the £100 compensation that the investigator recommended for the poor service.

My final decision

For the reasons I've above, and in my provisional decision, I don't uphold this complaint in relation to the bike valuation or salvage price of Mr N's motorcycle. But I do uphold it in part, in relation to the service Mr N received. So I require Advantage Insurance Company Limited to do what I've said above to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 11 January 2021.

Sam Wade
Ombudsman