

The complaint

Mr G complains that Markerstudy Insurance Company Limited undervalued his motorbike following a claim on his motor insurance policy.

What happened

In 2020, Mr G was involved in an accident. He made a claim on his motor insurance policy and following an inspection of the damage, Markerstudy deemed his motorbike to be a total loss. It made an offer of £5,500 (minus the policy excess of £500) to settle the claim. Or £2,745 if Mr G wanted to keep the motorbike. Markerstudy said this offer was in line with its engineer's assessment, trade guides and sale adverts.

Mr G felt the motorbike had been undervalued. He said it was an extremely rare bike and that inferior models were selling for more than Markerstudy's offer. He asked that the offer be increased to £7,500 and that he be allowed to keep the motorbike. He was also unhappy with the handling of his claim.

Markerstudy maintained its position on the valuation. It said it hadn't seen any trade guides or adverts which supported a higher value. It said the adverts it had seen for the same bike put the advertised prices between £4,700 to £5,100 and these bikes had a lower mileage than Mr G's. But it did agree there had been failings in its customer service, which it offered £300 compensation for.

Mr G didn't accept this, so he brought his complaint to our service. He felt it was unfair that he'd been charged a policy premium based on his estimated value of £11,500 if he was never going to receive this following a claim.

Our investigator upheld the complaint in part. He completed his own enquiries with the motor trade guides and was satisfied Markerstudy had fairly valued the motorbike. So he didn't think it needed to increase its offer. But he did think it was unfair that Mr G had been charged a higher premium based on an estimated valuation he was never going to receive. So he asked Markerstudy to refund the difference in price plus 8% simple interest, based on what the premiums would've been if Mr G had estimated the value at £5,500.

In regard to the customer service issues, our investigator thought the compensation offer of £300 fairly reflected what went wrong.

Markerstudy said the policy premium was calculated based on Mr G's estimated value and it couldn't be held responsible if this turned out to be incorrect. But in order to resolve the complaint, it offered to refund the difference in premium as a gesture of goodwill. It said this amounted to £30 inclusive of interest.

Mr G didn't accept our investigator's view of the complaint. He said he'd be willing to accept £6,500 settlement plus retaining the bike, but when this wasn't agreed he asked for the complaint to be referred to an ombudsman. So it's 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.

It's useful for me to point out that this service's role isn't to work out the exact value of an individual vehicle. Instead, we look at whether the insurer has applied the terms of a policy correctly and valued the vehicle fairly.

The terms and conditions of Mr G's policy say:

"We will cover you against loss or damage to the motorcycle (less any excess that applies) caused accidentally or as a result of malicious damage or vandalism.

The most we will pay will be either:-

- the market value of the motorcycle immediately before the loss, or*
 - the cost of repairing the motorcycle,*
- whichever is the lower amount."*

The policy defines market value as

"The replacement cost of the motorcycle (including permanently fitted accessories) at the time of loss or damage compared with one of the same make, model and condition... The market value will be assessed by an automotive engineer in conjunction with the published trade guides at the time of loss."

To determine the pre-accident market value, it's standard practice for the industry to use valuation guides – and we think this is fair. In Mr G's case, Markerstudy said it could only obtain one trade guide able to offer a valuation, due to the rarity of the motorbike. This valued the bike at £2,191.

As part of our investigation, we also looked at the trade guides. Two of the main guides we use determined that the value of a bike the same make, model, year of manufacture, and approximate mileage as Mr G's at the time of loss would be around £2,175 and £2,325.

As such, I'm satisfied Markerstudy valued the motorbike fairly when it made its offer of £2,745 on the basis that Mr G could keep the bike.

We don't usually find adverts for similar vehicles very persuasive because they are a reflection of what the seller believes the vehicle is worth, rather than what it actually sold for. It's common for there to be further negotiation and the advertised price isn't necessarily the price that might finally be agreed upon. But we do consider them, as they could indicate if there is a problem with the guide values. They can also be useful when a vehicle isn't covered by the trade guides or is a limited edition.

In Mr G's case, Markerstudy used sale adverts to account for the limited valuations available through the trade guides. It found motorbikes of the same make and model for sale between £4,700 and £5,100, but these had lower mileage. I've also looked at for sale adverts, and I've been able to find a bike for sale at just over £6,000. But this bike has significantly less mileage – almost one quarter of Mr G's.

Based on this, I'm satisfied Markerstudy's offer of £5,500 (minus the policy excess) is fair on the basis that it retains the savage.

I appreciate Mr G wants a higher settlement as well as being able to retain the motorbike. But I can't agree that's fair. Even if he was able to sell the bike for £7,500, he wouldn't be able to keep it as well – it would go to the buyer. So if he wants to accept the higher

valuation of £5,500 – which I've determined is a fair reflection of the market value – then he'd need to give the bike to Markerstudy.

Turning to the issue of policy premiums, Markerstudy has agreed to refund the difference between what Mr G would've paid had he valued his bike more accurately at inception and what he actually paid – plus 8% per year simple interest. Whilst it doesn't accept that it did anything wrong, it's agreed to do this as a gesture of goodwill. As Markerstudy has agreed, I don't need to make a finding on whether it's fair to do so.

Markerstudy has calculated what the premium would've been. As this is a multi-bike policy, it's only applied the reduction to the premium for this motorbike. It's said:

"If we'd have been made aware the value of the bike was £5500 and not £11500 at the time of quotation then we would have offered a rate of £455 instead of £480 for the drop in value on bike1...Worth noting this is a deduction just on bike1 premium and not the total premium."

This is a difference of £25. Markerstudy has offered to pay £30 inclusive of interest – which is in line with the 8% per year simple interest recommended by our investigator.

And finally, Markerstudy has offered £300 compensation for the failings in its customer service. It acknowledges that there were some delays in progressing the claim, an email from Mr G wasn't responded to and there was some miscommunication with the approved repairers.

It's clear Mr G was put to some distress and inconvenience, in particular over the collection of his vehicle. And he should be compensated for what went wrong. Based on the information I've seen, I'm satisfied this offer fairly reflects the impact these errors had on Mr G and it is in line with what I would've awarded, had an offer not been made. Mr G hasn't provided any information to imply that he disagrees with this offer or that it doesn't fairly reflect the impact he experienced. So I've no reason to direct that the amount of compensation be increased.

My final decision

Markerstudy Insurance Company Limited has offered to pay £300 compensation and a £30 refund of premiums inclusive of interest to resolve this complaint. I think this is fair, for the reasons I've explained.

As such, my final decision is that Markerstudy Insurance Company Limited should pay Mr G £330.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 17 November 2021.

Sheryl Sibley
Ombudsman