

The complaint

Mr P complains MCE Insurance Company Limited haven't offered a fair value for his motorbike when claiming under his motor insurance policy.

What happened

In October 2020 Mr P unfortunately had his motorbike stolen. MCE accepted the claim, and made an offer of settlement, less Mr P's excess and outstanding policy premiums. Mr P wasn't happy with this, as it didn't allow him to replace his motorbike with a similar one. MCE reassessed it and increased the valuation slightly. Mr P remained unhappy, so he complained about the amount he was receiving.

MCE explained they'd looked at three motor trade guides to determine the value of Mr P's bike. One of these was lower than the other two, so using the average of those two guides this initially came back at £5,632. As Mr P didn't agree, their claims team spoke to those two trade guides, and ended up increasing the figure to £5,653. They explained they'd thought about adverts but used the guides as they're based on nationwide research and actual sales figures. As for the excess, MCE explained Mr P had agreed to an excess of £2,000. Overall, they felt they'd acted fairly in saying the value was £5,653.

One of our Investigators considered things and found that MCE had overall fairly valued Mr P's motorbike, so wouldn't be asking them to do anything further.

Mr P didn't agree, saying the value was the same as when he first bought it, so valuing it at around £1,000 less isn't OK. He provided adverts to explain he can't buy a replacement bike of the same standard. And he said he'd purchased warranties that covered him for three years, and he'd not had the motorbike for more than a year.

Our Investigator didn't think the adverts meant the valuation was wrong. Mr P still didn't agree, and he said that he didn't think the deductions for the premium was fair.

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.

How the claim should be settled

I've noted that during Mr P's dispute with MCE about the valuation of his motorbike he's said it'd be easier if they just bought him a like for like replacement as he can't find one. I can understand why he'd say that, but his policy terms say:

The maximum amount we will pay will be the market value of your motorcycle immediately prior to the loss.

And this is highlighted in the Insurance Product Information Document (IPID) as well – which provides a summary of the cover. So, I'm satisfied it's appropriate for MCE to pay the market

value, rather than buying Mr P a new motorbike as he's asked. And I'm satisfied this was made appropriately clear to him.

Valuation

It'll help to explain that it's very difficult to value second hand motorbikes and it isn't the role of our service to value Mr P's motorbike. But our general approach is that we look to assess whether the insurer's offer is reasonable.

To do this, we look at the valuations MCE used when calculating their offer. We usually expect insurers to get valuations from motor trade guides – which is what MCE did. These are used for valuing second hand motorbikes. But we'll also take into account the evidence provided by both parties. This might include engineer's reports, information provided by dealers and adverts, amongst other things.

We think trade guides are generally more reliable, mainly because their valuations are based on research across the country and likely sales figures. The guides also take into account regional variations. We don't find adverts particularly persuasive as these are essentially asking prices and aren't selling prices. It's for this reason that the trade guides are used as they provide evidence of likely retail selling prices – and therefore provide us with a fair market value for the type of motorbike being assessed.

The evidence Mr P has provided to say why his valuation should be higher, is adverts. I've looked at all of the adverts Mr P has provided. Most of them either have no mileage stated, or a lower mileage than the 4,420 used to value Mr P's motorbike. The closest advert is for around £700 more, but is a private seller – so I'd expect that to have an element of negotiation built in.

I can see that initially MCE didn't correctly calculate Mr P's motorbike, as they used the wrong information. But, after using the correct information, it's resulted in a figure £21 higher. To get this, they directly contacted the two guides closest in valuation as I'd expect. I've seen the responses from those two trade guides, and I can see MCE have used the average of those two figures – again, as I'd expect.

Overall then, I'm not persuaded by Mr P's evidence, and think MCE have calculated the valuation amount fairly.

Deductions

Mr P is also unhappy at the deductions that have taken place.

The first of these is Mr P's excess of £2,000. Mr P hasn't explicitly said he didn't agree to this, or that it was mis-sold, so I've not considered those elements. Instead I've looked at whether the information Mr P was given talk about an excess of £2,000 – and they do. So, I'm satisfied that, based on the current information, MCE have acted fairly in deducting this.

I've also noted Mr P has some concerns over the deduction of premiums totalling £967.45 – asking why they've deducted this. We've asked MCE this, and they've explained it's because they think Mr P made a misrepresentation when taking out the policy. They've also said Mr P didn't directly complain to them about this, so if he's unhappy about it they'd need to investigate the matter first.

As I can't see that Mr P has directly complained to them about this, I've not considered whether he did or didn't make a misrepresentation when taking out the policy – or whether it was appropriate for them to have made this deduction.

My final decision

For the reasons I've explained above, I don't uphold this complaint.
Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 21 December 2021.

Jon Pearce
Ombudsman