

The complaint

Mr A complains that Zurich Insurance PLC (Zurich) have settled a claim under his motorbike insurance policy for considerably less than it should have.

What happened

Mr A purchased a market value motorcycle insurance policy with Zurich in February 2022. The policy was purchased through a comparison website. During the application he was asked to provide an estimated value for his motorcycle. Mr A estimated it to be worth £3,300, which was what he had paid for it in April 2021.

Mr A was provided with a statement of insurance document along with his other policy documents, which under the heading “*proposer’s estimate of present value of motorcycle*” stated £3,300. Included with the other insurance documents was the policy booklet, which explains in the event of total loss claim:

2.2.1 What we will pay

If your motorcycle is insured on an 'agreed value' basis, the maximum amount we will pay is the value declared on your policy schedule, less any policy excess which is applicable (see Section 2.7) otherwise market value will apply. If, during the life of your policy, you believe the value of your motorcycle has changed to that stated on your policy schedule (e.g. following market changes, restoration work or modifications) then you must advise us as soon as possible in order to ensure your vehicle is adequately insured (evidence may be required).

The definition of market value as defined in the policy booklet is:

Market value - *the cost of replacing your motorcycle with another of a similar make, model, age, mileage and condition as at the time of the loss or damage, up to the value stated in your policy schedule*

In August 2022, Mr A reported his motorcycle stolen and made a claim under his policy, which was accepted by Zurich. The motorcycle was later recovered but had extensive damage and was deemed a total loss by Zurich and they offered Mr A a settlement amount of £3,300 minus the £250 excess payable under the policy. Mr A disputed the amount with Zurich, he said that he was unable to buy a similar motorcycle for this amount as the second-hand motorcycle market had seen an increase in value due to the shortage of these and other types of motorcycles.

Zurich referred Mr A back to his policy terms which explained they would not pay an amount over the value stated in his policy schedule.

Mr A remained unhappy with this and so brought his complaint to this service. Our investigator thought Mr A’s complaint was one that should be upheld. In summary they said:

- Mr A wasn’t told the importance of providing an accurate figure when giving an

estimated value for his motorcycle, when purchasing the policy.

- The policy is clearly a market value policy, and if Zurich wanted to limit their liability, he would have expected Mr A to have provided with a detailed explanation of what this meant.
- Having reviewed the motor trade guides the following valuations were given: Glass' £4,306; CAP £4,375; Cazoo (now Percayso) £4,555. And so, Zurich should increase their offer to an average of the three: £4,412.

Zurich disagreed with the investigator and so the matter has now been passed to me to decide.

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 read and considered the whole file, I've reached the same outcome as the investigator and for broadly the same reasons. I'll explain, but in doing so I'll keep my comments to what I think is relevant. If I don't comment on a specific point, it's not because I haven't considered it but because I don't think I need to comment on it in order to reach the right outcome.

The policy Mr A purchased was a market value one, this is the most common type of policy in the marketplace. Most insurers have similar wording for this in that they will pay the market value of the bicycle immediately prior to the loss. In Zurich's case they have decided to limit their liability here by saying they will pay the market value up to the value stated in the policy schedule, in this case £3,300.

This is unusual for a market value policy and is a term that can only ever benefit the insurer, so I consider it to be unfair as it strikes an imbalance between the parties. If Zurich wants to rely on a term as significant as this one to limit their liability, I expect they should, in good faith, highlight the term to the consumer before the policy begins. This is so the consumer can make an informed choice about if they would like to enter a contract with such a term. And know if they choose to do so, the importance of making sure the value they have estimated is accurate at the time the policy begins, and throughout the lifetime of the policy, because the impact on them can be so detrimental if a claim is made.

I can't see that Mr A was made aware of the importance of being exact when estimating his motorcycle's value at any point through the process of taking out the policy nor when the policy documents were provided to him.

Zurich have previously been made aware of our stance on this term and so it shouldn't come as any surprise that I'm saying they can't rely on it here. It follows they should pay the full market value of the motorcycle to Mr A.

As Zurich haven't shown they've considered a range of trade guide prices when valuing Mr A's motorcycle, I think the fairest thing for them to do, in line with our approach to these types of complaints, is to pay the average of the guide prices obtained by our investigator which are noted as: Glass' £4,306; CAP £4,375; Cazoo (now Percayso) £4,555; with the average being £4,412.

Because Zurich have been previously made aware of our stance on this term, I think they have put Mr A to unnecessary trouble by forcing him to go through both their and our

complaints process in order to be paid what he is due – the market value of his motorcycle. This has caused Mr A a great deal of inconvenience as he hasn't been able to replace his motorcycle, which, he has told us, he used to get to and from work. Because of this I think Zurich should compensate Mr A and I think a figure of £200 is appropriate in the circumstances.

Putting things right

To put things right here for Mr A Zurich should now:

- Pay Mr A £4412 in settlement of his claim. They are entitled to deduct the policy excess from this amount as well as any amount already paid to Mr A.
- Pay Mr A 8% simple interest on any amount due to him from the date Zurich offered settlement of the claim until the date they pay.
- Pay Mr A £200 for the trouble and upset caused to him.

†Her Majesty's Revenue & Customs may require that Zurich deduct tax from the interest paid to Mr A. If it does and Mr A requests it, Zurich must provide him with a certificate showing how much tax it has taken off, so he may reclaim it if appropriate.

My final decision

For the reasons set out above, I currently uphold this complaint and I require Zurich Insurance PLC to carry out the actions as set out under the 'Putting things right' section of this decision

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 7 July 2023.

Amber Mortimer
Ombudsman