

The complaint

Mr W complains about the amount West Bay Insurance Plc offered to settle his claim on his motorbike insurance policy.

What happened

Mr W's motorbike was damaged in an accident with another vehicle and so he claimed on his policy with West Bay. West Bay reviewed the claim and accepted it. It said due to the damage to Mr W's motorbike it would be deemed what is known as a "total loss". West Bay therefore offered Mr W £1,987 as the market value of his motorbike to settle his claim.

Mr W didn't think this was fair and complained, he said his motorbike was worth around £2,400. West Bay reviewed the complaint and maintained its position that it had valued Mr W's motorbike fairly. It said it had used three motor valuation guides and offered Mr W more than the average of these guides.

Unhappy with West Bay's response, Mr W referred his complaint here. He said he'd incurred recovery charges for his motorbike and didn't think the valuation offered was fair. Mr W provided adverts for similar motorbikes which he'd sent to West Bay to show the amount offered wasn't enough to replace it with a similar motorbike.

Upon the complaint being referred here West Bay reviewed its position and made an offer to settle the complaint. It said it hadn't addressed the recovery fees previously and Mr W had initially not claimed through his policy. However, West Bay offered to refund £432 which is the amount Mr W paid for recovery of his motorbike. West Bay also offered £26 towards storage fees he'd incurred and £125 compensation.

Our Investigator reviewed the complaint and thought the offer to refund the £432 recovery fee, pay the storage costs of £26 (which Mr W incurred after the claim was reported to West Bay) and the offer of £125 for distress and inconvenience was fair. She said this was because Mr W had incurred the other storage costs before the claim was reported to West Bay and so these weren't covered by the policy.

However, our Investigator didn't think West Bay had valued Mr W's motorbike fairly. She found that Mr W had provided several adverts for similar motorbikes, and also ones which were a year newer and a year older, but with higher mileage. And all of these were advertised for significantly more than the values produced by the guides. Because of this our Investigator thought it fair to base the market value on the adverts and recommended West Bay pay Mr W £2,200 as the market value of his motorbike.

Mr W accepted our Investigator's recommendation. West Bay didn't agree to the increase in market value, it said it had used three valuation guides and offered over the average of these guides, so it thought its offer was fair. Our Investigator asked West Bay to comment on the adverts provided but West Bay maintained its offer was fair as it's based on valuation guides.

As West Bay didn't agree the complaint has come 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.

As Mr W accepted our Investigator's recommendations, my decision will focus on the market value of the motorbike as this is what is still disputed. For completeness though I'm satisfied that West Bay's offer to pay Mr W the £432 for recovery, £26 for storage fees and £125 for distress and inconvenience is fair. I say this because both West Bay and Mr W haven't provided any comments to say they don't agree with any of these.

The terms and conditions of Mr W's policy say that if West Bay deem his motorbike a total loss, it will pay him the market value. It 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."*

Our service doesn't value motorbikes. Instead, we check to see that the insurer's valuation is fair and reasonable and in line with the terms and conditions of the policy. To do this we tend to use relevant motor trade valuation guides. I usually find these persuasive as they're based on nationwide research of sales prices. However, in Mr W's case the guides are able to value his motorbike, but the values are significantly lower than the advertised prices for similar motorbikes.

The valuation guides have given values of £1,825, £1,914 and £2,000. The fourth valuation guide we use was unable to produce a value for Mr W's motorbike. Looking at West Bay's offer it sits just below the highest guide. However, Mr W has also provided six adverts for motorbikes which are similar to his, although these aren't exactly the same as some are newer and some older. Also, the mileage isn't the same for all the bikes, again some have lower mileage than Mr W's motorbike and some have higher mileage. When looking at these adverts they range from £2,200 to £2,575 and so are all above the values produced by the guides.

Our Investigator asked West Bay for its comments on the adverts and West Bay didn't provide any. Instead, it reiterated that it had relied on valuation guides. While I normally find valuation guides persuasive of the likely market value, I'm not satisfied they're reflective of the market for Mr W's motorbike. I say this as all of the adverts provided are for significantly more than the highest valuation guide. Furthermore, West Bay hasn't provided anything to show Mr W can replace his motorbike for the amount offered. I'm therefore not satisfied £1,987 is a fair market value and that Mr W can replace his motorbike with one like he had previously.

I say this as I'm more persuaded by Mr W's evidence that the market value of his motorbike is higher than the values shown in the guides. Our Investigator thought £2,200 was a fair valuation based on the adverts provided and Mr W agreed with this. As I'm more persuaded that Mr W can't replace his motorbike for the amount offered, and he's agreed with the valuation of £2,200 (which is the lowest advertised price), I'm satisfied that's a fair and reasonable market value. Therefore, West Bay needs to increase the market value of Mr W's motorbike to £2,200 and pay him this amount, subject to the remaining policy terms and conditions. As Mr W has been without the money West Bay also needs to add 8% simple interest to the additional amount it pays, calculated from the date it paid the initial offer until the date of settlement. This is to be paid in addition to the £432 for recovery, £26 for storage and £125 for distress and inconvenience already offered.

My final decision

For the reasons explained above, my final decision is that I uphold this complaint West Bay Insurance Plc needs to pay Mr W:

1. The £432 he paid for the recovery of his motorbike
2. £26 towards the storage costs Mr W incurred
3. £2,200 as the market value of his motorbike, subject to the remaining terms and conditions. Any amount already paid can be deducted from this. 8% simple interest per year needs to be added to any additional amount paid, calculated from the date West Bay paid the original offer until the date of settlement.
4. £125 for distress and inconvenience

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 31 May 2024.

Alex Newman
Ombudsman