

complaint

Mr B has complained about the total loss settlement sum MCE Insurance Company Limited paid when he made a claim under his motorcycle insurance policy.

background

Mr B bought a motorbike insurance policy with MCE. He changed his bike on 1 September 2018. He bought a brand new one with a '68' plate.

On 2 September 2018 Mr B was involved in an incident with a car. He was injured and his motorbike was unfortunately declared a total loss. It had travelled 54 miles.

MCE said it would settle Mr B's claim by paying him a market value of £11,889. This was £1,706 lower than the purchase price Mr B had paid for it the day before the incident.

Our investigator didn't think MCE had been reasonable. He thought Mr B's proof of what he paid for his bike the day before the incident was sufficient evidence to show the market value of his bike immediately before the loss. So he recommended MCE pay Mr B the purchase price he paid for his bike from a dealership garage the day before the incident – and add interest.

MCE didn't agree. So the case has been passed to me to decide.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I intend to uphold it.

We don't decide a valuation for a bike. But we look at whether an insurer has reached its valuation in a fair and reasonable way – and in line with the policy.

Mr B's policy with MCE says the most it will pay in the event of a total loss claim is the market value of his bike immediately prior to the loss.

MCE says it was able to obtain a valuation guide from two of the motor trade guides. It says the valuations for a '68' plate motorbike was lower than for a '18' plate bike. So it used both guides to decide a valuation for Mr B's bike.

I've seen a copy of one of the valuation guides - 'C' - which MCE appears to have relied on. It gave a valuation of £11,150 for September 2018. This was lower than its valuation for an '18' plate. However, the guide reads:

"we could not value the vehicle at the exact plate requested. This valuation is a 2018 18 plate at 60 miles."

Mr B has provided a copy of the purchase receipt for his bike which shows he paid £13,595 inclusive of VAT on 1 September 2018 – the day before the incident.

It seems the trade guides were unable to provide an accurate valuation for Mr B's bike as it was brand new and a brand new plate. So I think - in this case - the amount Mr B paid for his bike the day before at a dealership garage carries more weight in deciding a fair market value for Mr B's bike immediately prior to the loss. And so I think it's the evidence MCE should have relied on to decide a fair total loss settlement in September 2018.

MCE's initial settlement offer to Mr B for his bike was £11,145. So the difference between MCE's first offer and the price he paid for his bike is £2,450. I think MCE should pay interest on the difference of £2,450 from the date of the claim to the date it pays Mr B the balance. Had Mr B accepted the initial valuation, he was still deprived of the benefit of a fair market value for his bike.

my final decision

For the reasons I've given above, my final decision is that I uphold this complaint. I require MCE Insurance Company Limited to do the following:

- Pay Mr B £1,706 as the difference between the final settlement it paid him of £11,889 and the market value settlement of £13,595.
- Pay interest at a simple rate of 8% a year on £2,450 – being the difference between the lower offer of £11,145 and £13,595 – from the date of the claim to the date it pays Mr B.

MCE Insurance Company Limited must pay the award within 28 days of the date on which we tell it Mr B accepts my final decision. If it pays later than this it must also pay interest on the award from the date of my final decision to the date of payment at a simple rate of 8% a year.

If MCE Insurance Company Limited considers that it's required by HM Revenue & Customs to withhold income tax from that interest, it should tell Mr B how much it's taken off. It should also give Mr B a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 15 April 2019.

Geraldine Newbold
ombudsman