

complaint

Mr W is unhappy with what Advantage Insurance Company Limited has paid in settlement of his claim under his motorbike insurance policy.

background

Mr W's motorbike was stolen and he claimed under his policy. Advantage eventually agreed to settle the claim based on a pre-theft market value of £2,725. Mr W has said it's impossible to buy a suitable replacement for this amount and so it can't be the pre-theft market value of his motorbike. He thinks this was around £3,100 and has provided examples of what he thinks are similar motorcycles for sale to show this.

Our investigator felt Advantage's valuation was a fair reflection of the pre-theft value of Mr W's motorbike, as it's higher than the value given by the trade guides usually used to work out the retail sale price of motorcycles.

Mr W doesn't agree and he's asked for an ombudsman's decision.

I reviewed the case and told Advantage I thought the pre-theft value was around £3,100. It doesn't agree and so I have to issue this decision.

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've decided to uphold it.

Under the terms of Mr W's policy and because of good insurance industry practice, I think Advantage is obliged to base its settlement on the cost of replacing Mr W's motorbike with one of the same specification, age and mileage. Working out what this would cost can be difficult, but the guides are the best starting point. This is because they're based on the likely selling prices of similar motorcycles at the time Mr W's motorbike was stolen. However, sometimes the guides don't actually reflect what a certain type of motorbike would cost to replace. This could be because it has special features, is a particularly nice example or because not many similar motorbikes were advertised for sale or sold at auction around the time the insured motorbike was stolen.

To establish what the likely replacement cost of Mr W's motorbike actually was at the time of the loss, I've taken into account the examples of similar ones for sale he provided at higher prices, which our investigator checked (the adverts have now been removed from the relevant websites). I've also noted Advantage's own engineer said that after carrying out internet research he found the type of motorbike Mr W had was commanding a higher retail value. By this, I presume he meant higher than the guide figures.

I asked the trade guides for their views on the pre-theft value of Mr W's motorbike. One of them said there were only a few examples on the internet for motorbikes the same as Mr W's and that the ones in mint condition with low mileage are commanding higher values. And they added that if the motorbike was in 'great condition then it should command an uptick in the value'.

One of the guides also mentioned that it looked like Mr W's motorbike had some after-market parts added. But Advantage didn't think it would be fair for these to be reflected in the claim settlement, as Mr W didn't declare them. I've checked with Mr W on this and he's said

the only after-market part he's aware of is an exhaust (tail) section, which he only realised had been added more recently. He doesn't think this would have had any impact on the value. So I don't think there's any reason why this should affect what Advantage pay.

Overall, I'm persuaded by the evidence Mr W has provided, what Advantage's own engineer said and what the guides have said. And I think that because Mr W's motorbike was in mint condition and had an attractive colour scheme the guides don't reflect its true pre-theft market value. It's hard to work out what this was, but from what I've seen I think Mr W's suggestion of £3,100 is appropriate.

Therefore, I think the fair and reasonable outcome to this complaint is for Advantage's claim settlement to be based on a pre-theft value of £3,100 and so it should pay an additional £375, plus interest at our usual rate of 8% per annum simple.

my final decision

For the reasons explained above, I uphold Mr W's complaint and order Advantage Insurance Company Limited to pay him an additional £375 in settlement of his claim. It must also pay interest on this amount at 8% per annum simple from the date it made the first settlement offer on his claim to the date of actual payment¹.

Advantage should do this within 28 days of us telling it Mr W has accepted my final decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 2 February 2018.

Robert Short
ombudsman

¹ If Advantage considers that they're required by HM Revenue & Customs to take off income tax from that interest, they should tell Mr W how much they've taken off. They should also give Mr W a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.