

## **complaint**

Mr S complained that Qudos Insurance A/S offered less than the market value for his motorbike. Mr S made a claim under his motor insurance policy when his motorbike was stolen.

## **background**

Mr S bought his motorbike from his father. When Mr S applied for his policy, he told Qudos he paid his father £3,200 for it. When Mr S's motorbike was stolen, he made a claim to Qudos and it told him the value it would pay him for the loss of his motorbike was £3,200. Mr S's father complained to Qudos on his son's behalf. He said his son paid him £3,200 for the motorbike but that its value was much higher than this. Qudos didn't agree to increase its valuation. It said its policy says it will not pay more than the estimated value, even if the motorbike's market value is higher.

Mr S then complained to us and the adjudicator who investigated his complaint recommended that it should be upheld. He felt Qudos had acted unfairly when it relied on Mr S's estimate value which he gave it in a phone call. The adjudicator recommended Qudos pay the market value based on the trade guides for his stolen motorbike, which was higher than the estimated value Qudos decided to use.

Qudos didn't agree with the adjudicator. It said it had sent Mr S his policy documents after the phone call, which explained what it would pay in the event of the loss of his motorbike. It said that Mr S was therefore aware that Qudos wouldn't pay more than the estimated value he had given it.

So the matter has been referred to me to decide.

## **my findings**

I've considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I've listened to the call recording Qudos has provided when Mr S applied for his policy. In relation to the valuation of his motorcycle, he was asked as follows;

*"What's the value of it?"*

*"I don't know. I bought it for £3,200."*

I've also read the policy documents that Qudos sent to Mr S along with the key facts document. In the policy schedule, the value is titled as "Estimate Value". Under the key facts document section covering the loss of his motorbike, it reads as follows;

*"The maximum we will pay will be the market value of your motorcycle immediately prior to the loss, but not exceeding your estimate of value shown in your policy schedule."*

In the initial phone call Mr S was asked the value of his motorbike and he answered that he didn't know. Given his response, I think the advisor should have explained to Mr S the significance of not knowing the value of his motorbike and how Qudos would use the price he paid for it instead. Because the advisor didn't explain this, I don't think Qudos was being

fair to Mr S. Had this been clearly explained to Mr S, he would have had the opportunity to make further checks himself as to the value of his motorbike, or consider getting an alternative policy elsewhere.

I've read Qudos's view that the estimated value should be relied upon as it was the basis of the risk it decided to undertake when Mr S bought his policy. Qudos explained to the adjudicator that it will be prejudiced against if it pays the higher amount as Mr S will receive a higher claim amount than the basis of his contract. In its response to the adjudicator, Qudos also says that even if Mr S hadn't clearly been asked about the value of his motorbike in the phone call, the policy documents sent afterwards to him gave him the opportunity to rectify anything that wasn't correct.

The adjudicator asked Qudos to provide evidence to show that it was prejudiced given it has asked Mr S to pay a lower premium due to his estimated value of his motorbike. But it hasn't provided any. Because Qudos hasn't provided this evidence, I don't think it is prejudiced by paying Mr S the market value of his motorbike, which is higher than Mr S's estimate.

The adjudicator also explained to Qudos that its approach to the estimated value given by Mr S appears to be one more in line with an 'agreed value' policy. An 'agreed value' policy is when a policyholder and insurer agree a value for the vehicle to be insured and if there is a loss, then the 'agreed value' is paid. Mr S's policy is not an 'agreed value' policy, so I agree with the adjudicator's view here. Further, by referring to the value as an estimate value in Mr S's policy schedule, it implies a rough calculation. I therefore don't think Qudos has acted reasonably as it didn't clearly explain to Mr S the consequences of getting the value of his motorbike wrong.

The trade guides show a market value of Mr S's motorbike as being £4,425 for Glass's and £4,350 for CAP. The adjudicator recommended that Qudos pay £4,400 as the market value for Mr S's motorcycle and I agree with this amount, as it is in line with the trade guides.

I also think Qudos has caused Mr S some trouble and upset by refusing to pay more than the price he paid for his motorbike, namely £3,200, when its market value was so much more. Its value of his motorbike didn't represent a fair deal for Mr S to replace it.

### **my final decision**

For the reasons I've discussed it is my final decision that Mr S's complaint should be upheld. I require Qudos Insurance A/S to do the following:

- Pay Mr S a further £1,200 for the market value of his motorbike.
- Pay Mr S interest at 8% simple per year on the £1,200 from the date it paid the lower value of £3,200 to him to the date it now pays him £1,200.
- Pay Mr S £200 compensation for the trouble and upset it caused him.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr S to accept or reject my decision before 14 May 2015.

Geraldine Newbold  
**ombudsman**