

complaint

Mr K complained about the value Advantage Insurance Company Limited placed on his motorcycle when he claimed under his motorcycle insurance policy.

background

Mr K's motorcycle was destroyed in a fire. Advantage offered him £4,275 for it, less his policy excess. Mr K thought that this was too low. He said he couldn't find a similar replacement for that amount.

The investigator didn't recommend that his complaint should be upheld. He thought that they'd valued his motorcycle fairly. Mr K didn't agree and so his case has been passed 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.

Advantage have to pay Mr K his motorcycle's market value. His policy says what this is on page 29:

"The cost of replacing your motorcycle in the United Kingdom at the time the loss or damage occurred with one of a similar make, model, age and condition, Publications may be used which refer to vehicle values such as Glass's Guide to assess the market value, with an allowance being made for the mileage, condition and circumstances of purchase by you"

The investigator explained to Mr K our approach regarding complaints about motorcycle valuations. We don't decide what the market value of a motorcycle is. Instead we consider whether or not the insurer has reached a fair and reasonable amount having regard to the valuations in the motor trade guides.

Advantage showed us that they considered two of these guides and averaged their valuations. Advantage's offer to Mr K was more than that. So they felt that their valuation was reasonable.

I see that the investigator checked the available trade guides for Mr K's motorcycle's make and model. In doing that he took into account its low mileage. He took valuations from three motor-trade guides, the two Advantage had used plus another. The highest of those three valuations was less than what Advantage had offered Mr K. So the investigator considered that Advantage's offer was reasonable and that they'd done what they had to under his policy.

Mr K didn't accept this. He felt that there'd been no real market place research. He said as follows. His motorcycle was no longer in production and was in outstanding condition with extra features such as its saddle, handgrips and pannier. He believed they enhanced its value. He'd seen motorcycles advertised at more than what Advantage offered him although they were older than his, with higher mileage, and without the enhancing additions. Advantage hadn't provided any evidence of a motorcycle with similar mileage to his available anywhere in the UK.

I think that the amounts sellers advertise for motorcycles don't properly reflect their value, because motorcycles usually sell for less than the advertised price. So I don't think that adverts prove the actual selling price. It's clear that Advantage valued Mr K's motorcycle according to the trade guides. The prices in these guides are linked to likely monthly nationwide sales figures and, although valuing a motorcycle is not an exact science, I think that they give a reasonable and independent guide and take account of a number of factors including mileage, condition, and any features such as low mileage. Overall, I find them more persuasive than adverts and websites. Even Mr K's motorcycle model was out of production now, it did feature in the guides so I can't say it was unfair for Mr K to rely on them.

Mr K questioned the reliability of the guides for assessing his motorcycle. He said he'd researched motorcycle auction listings and none of his type of motorcycle were listed, of any mileage. So he didn't see how the guides could have included a statistically significant number of motorcycles like his. But as the investigator explained to Mr K, the guides take into account prices of motorcycles advertised online, and sales at dealerships not advertised online as well as nationwide auction sales. So I think that they provide a comprehensive overview of the sales market.

Mr K felt that the investigator should have given an explanation of the algorithm used by the guides to prove that they do take into account low mileage. But as the investigator explained, that's their confidential commercial information, so I don't think it's reasonable to expect them to release that.

He also thought it unfair that the guides' valuations included prices from motorcycle auctions. He said he couldn't go to those but would be restricted to buying a new motorcycle from retail dealers or by private sale. But I don't think that's something that Advantage need to take into account in valuing his motorcycle. Nor does it stop the guides from being a reliable fair reflection of market value across the sales sector as a whole.

As regards his motorcycle's additions, we generally consider that they don't add value, and I see that his policy does not cover additional amounts for those items. Mr K was also unhappy that Advantage's offer didn't cover what he said were the other costs of buying a new motorcycle. These included travelling to buy it and transporting it home. But I don't think that what his policy says about market value does cover such incidental costs. I think that its reference to "*circumstances of purchase*" refers to the past purchase of the insured motorcycle and not to a future purchase of another motorcycle.

So overall I think that Advantage have decided Mr K's motorcycle's value fairly in line with his policy terms and that it is reasonable. I do see that Mr K is upset that he has lost his motorcycle in unfortunate circumstances, and that he wants to make sure that Advantage pay him a fair value for it. But I think that Advantage have done that, and as I'm satisfied that their settlement offer is a reasonable one, I don't require them to offer any more.

my final decision

For the reasons I've discussed above, it's my final decision that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr K to accept or reject my decision before 3 June 2019.

Rosslyn Scott
ombudsman