

complaint

Mr W has complained that Advantage Insurance Company Limited didn't pay a fair market value for his motorbike when he made a claim under his motorcycle insurance policy.

background

Mr W was involved in an accident with a car. The driver of the car admitted it was their fault. Mr W made a claim to Advantage and an engineer assessed the damage to his motorbike. The engineer estimated the repair costs would be more than it was worth. So Advantage offered Mr W a market value settlement. This was initially £3,700, but Mr W didn't think it was enough. The final market value Advantage paid Mr W was £4,325.

Mr W complained to Advantage. He'd provided proof of the service history of the bike and he said he had kept it in immaculate condition for the ten years he owned it. He thought Advantage had communicated poorly with him during the claim. It didn't confirm the market value offer in writing to him and caused delays. He thought it should have offered him a courtesy vehicle.

Advantage said it paid £4,325 as this took into account the condition and mileage of the bike. This was higher than the trade guide valuations so it didn't increase its settlement.

It apologised for its poor communication, some delay and for giving Mr W an incorrect salvage fee. For the trouble and upset it caused Mr W, it paid him a total of £320 compensation.

Advantage didn't provide a courtesy vehicle as Mr W's bike was declared a total loss – and his policy doesn't provide one for those circumstances.

Mr W remained unhappy so he asked us to look at his complaint. The adjudicator who investigated it didn't recommend it should be upheld. He thought Advantage had made some mistakes, but it had apologised and compensated Mr W fairly for them. He thought the market value it paid Mr W was fair.

Mr W didn't agree. He's provided an advert for a similar motorbike to his, which is for sale at £5,490. He's contacted the buyer who told him he can buy it for £5,400. He believes this is a more accurate guide as to the market value of his bike – as his make and model was discontinued several years ago. He wants Advantage to buy it and deliver it to him.

So the matter has been referred 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 don't intend to uphold this complaint.

market value of Mr W's motorbike

Mr W's policy says it will pay him the market value of his bike at the time of loss. That sum may not be the amount it will cost Mr W to replace his bike. And the policy doesn't require

Advantage to provide a replacement bike. Advantage waived Mr W's excess as the other driver admitted fault for the accident, which was fair.

Our approach is to look at whether Advantage offered a fair value. Mr W's policy was 'market value'. The trade guides for the same make and model of bike peaked at £4,000. We think trade guides are better because they are based on actual sales and regional differences at the time of an accident. Adverts are less persuasive. This is because dealers usually expect to negotiate down from the offer price. I appreciate that the advert Mr W has provided shows a bike for sale at a higher price – but this doesn't necessarily reflect the average market value for a similar make and model. So I don't think Advantage's decision to rely on the trade guides was unreasonable.

Mr W had a full service history for his bike. This will help to preserve its value, but it doesn't necessarily mean it will add to it. So I think Advantage was fair in paying Mr W £4,325 as the market value. It's higher than the highest trade guide valuation – taking into account the condition and mileage of his bike.

Mr W doesn't want his bike to be recorded as a total loss. He would prefer to repair it himself. But unless the repairs are carried out by an approved repairer, Advantage has to mark the bike as a total loss. This is fair for anyone who may buy the bike in the future so that they know the condition of it. If Mr W chooses to keep his bike, Advantage may charge him a salvage fee.

As the repairs estimate for the bike was higher than the bike was worth, Advantage wasn't required to repair the bike. Advantage told Mr W if he could get an estimate for £3,400 or less, it would consider having the bike repaired. I think Advantage's approach was reasonable. But Mr W couldn't get an estimate to near this sum due the damage caused.

loss of use

A third party acting on behalf of the other driver's insurer contacted Mr W and offered to provide him with a courtesy car. Mr W said he discussed this at the time with both the third party agent and Advantage. He decided the best option was to continue his claim directly with Advantage. Although his policy doesn't cover him for a courtesy car in these circumstances, Mr W feels Advantage should have provided one anyway. As the third party agent offered him one free of charge, Advantage could have simply claimed the costs back from the third party agent as part of the claim.

Advantage's notes show Mr W contacted them when he got the letter from the third party agent. But he said he didn't want to deal with them. I don't think Advantage is at fault for not providing a courtesy vehicle instead. As the cover wasn't available under Mr W's policy, he was free to take up the offer made to him by the third party agent.

poor communication and delay

Mr W feels the compensation of £320 Advantage paid him for its poor service doesn't reflect the trouble and upset he's been put through. He can't believe it's acceptable for an insurer to only give a market value verbally and not follow it up in writing. He feels we are allowing insurers to treat customers how they want.

Our role isn't to punish a business as we're not a regulator. We look at the circumstances of each case and decide if the insurer acted fairly and reasonably.

Both Mr W and Advantage provided a timeline of the claim. Overall I think Advantage dealt with the claim in a reasonably timely way. It was responsible for some small delays. Equally Mr W wanted to obtain estimates and he disputed the earlier market value offers. This took further time. Advantage apologised to Mr W and paid him £75 compensation for the delays it caused, and £320 in total for its poor communication. I think this was a fair outcome. Although Mr W expected Advantage to provide the market value in writing, he was aware of the sum and didn't agree it was reasonable. It isn't a requirement for an insurer to confirm a market value in writing. So although he didn't receive it in writing, I don't think this prevented him from disputing the sum.

Taking everything into account, I think Advantage dealt with Mr W reasonably and in line with his policy.

my final decision

For the reasons I've given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 25 May 2016.

Geraldine Newbold
ombudsman