

## **complaint**

Mr O complained that MCE Insurance Company Limited didn't offer a fair market value when he made a theft claim under his motorcycle insurance policy.

## **background**

Mr O's motorbike was stolen in January 2018 and he made a claim to his insurer, MCE. In April 2018 MCE offered to settle Mr O's claim by paying him a market value of £1,125.

Mr O made a separate complaint about the delay he says MCE caused. So this doesn't form part of my decision.

Mr O didn't accept MCE's offer as he believed the valuation was too low. He asked us to look at his complaint.

Our adjudicator thought MCE hadn't reached its valuation reasonably. It relied on one motor trade guide. MCE said the other guide it usually looked at didn't provide a valuation for Mr O's motorbike. The adjudicator thought MCE should have carried out further research to benchmark the valuation guide it relied on. The adjudicator was able to find another motor trade guide that provided a valuation. This was much higher at £2,270. She felt that in this case – as the guide she'd looked at closely matched examples of similar bikes for sale – that it was fairer for MCE to pay the higher valuation. And she thought MCE should pay interest at 8% simple interest a year on the difference between the settlement it offered and the higher valuation from the date of offer to the date it pays Mr O.

Mr O accepted the adjudicator's view. MCE didn't agree and would like an ombudsman 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. I'll explain why.

We don't decide a valuation. But we look at whether an insurer reached its valuation reasonably and in line with the policy.

Mr O's policy with MCE says the most it will pay in the event of a claim is as follows:

*“The cost of replacing your motorcycle with one of the same make, model, age, type and condition will normally be determined by a number of factors, including but not limited to valuations provided by published buyers guides available in the market place, independent engineers reports, your estimate of value, the vehicle service history, the number of keys available for the vehicle, whether the V5 document is up to date, and whether there is a current MOT certificate. Where modifications have been made, we will only pay the cost of replacing parts or equipment needed for your motorcycle to meet the manufacturer's standard specification.”*

We have a long standing approach to valuation complaints. We find the main motor trade guides are generally a reliable way to decide a value for a vehicle.

They provide valuations based on the likely selling prices for the make, model, age, condition and mileage of a vehicle for the month of loss. We find it fair to look at all of the available guides rather than just one as they are average values and can vary.

The motor trade guides are aimed at the mainstream motor trade and so the published and online guides focus on the volume market. For this reason, the trade guides, as a rule, don't value vehicles over 20 years old. However, for some types of vehicles this cut-off point can be earlier. Mr O's motorbike was 20 years old.

In this case, MCE looked at two of the available four main motor trade guides but could only find a valuation under one of them. This came to £1,125.

Where there is only one valuation available, we think the fairer thing to do is to consider other sources of information. These might include testimony from dealers, specialist auction results or valuations, and/or specialist publications or websites. And as MCE's policy says, it doesn't limit its valuation to the buyer guides alone. But MCE didn't consider any other sources.

We were able to find another of the main motor trade guides which gave a valuation of £2,270. But two out of the four available didn't. MCE believes we should use the average valuation of the two available. It says this is the approach we've taken in the past.

However, where one of the guides is out of kilter with others, we disregard it. And while there are only two guides to compare against, the motor trade valuation we obtained of £2,270 is much closer to the examples of similar motorbikes for sale. So I think it's fair and reasonable to disregard the valuation of £1,125 in this case. I therefore don't think it's fair to use the average of both guides here. We look at each case on its own merits to decide what's fair and reasonable.

I understand MCE needs to ask Mr O for additional documents in order to validate his claim. Subject to that – I think MCE should increase the total loss settlement to £2,270. It should pay interest at 8% simple interest a year from the date of the original offer to the date it pays Mr O.

### **my final decision**

For the reasons I've given above, my final decision is that I uphold this complaint.

Subject to its remaining requirements to settle the claim, I require MCE Insurance Company Limited to increase the total loss settlement to £2,270. MCE should pay interest on the difference between the original offer and the £2,270 from the date of the original offer and the date it pays Mr O.

The interest rate applied should be 8% simple interest 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 O how much it's taken off. It should also give Mr O 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 O to accept or reject my decision before 10 August 2019.

Geraldine Newbold  
**ombudsman**