

The complaint

Mr F complains that Zenith Insurance plc unfairly handled a claim a third party made against him on his motor insurance policy.

What happened

In June 2020, Zenith received an allegation that Mr F's car had been in a collision with another vehicle back in December 2019.

Mr F said neither he nor his car had been involved in the alleged incident. Zenith told the other party that Mr F denied any knowledge of the cause for the claim and asked it for further proof that he was in fact involved.

Mr F went on to raise a complaint, citing that Zenith was leaving him in the dark over the matter and it was taking too long to resolve. Zenith didn't agree, responding to the complaint in July 2020, explaining that it had handled things fairly and in Mr F's best interests.

In August 2020, the third party representatives verified that the claim was a case of mistaken identity. Zenith confirmed to Mr F that the allegation against him had been withdrawn and it had removed details of the incident from a shared insurance database, so it would not affect him going forward.

Mr F remained unhappy. When Zenith maintained its position, Mr F brought the complaint to our service and one of our investigators looked into it. Having considered what happened, she wasn't persuaded that Zenith had been unreasonable in its handling of the claim.

Mr F does not agree. Firstly, he submits that Zenith should not be the respondent business to the complaint – rather, he would like to hold an agent of Zenith accountable, given that it was this business which he was corresponding with. Overall, Mr F maintains that he should be awarded compensation to put right the unnecessary stress caused by the slowness of his insurer, and its failure to reveal all of the details of the incident.

Because Mr F is not in agreement, the complaint has been escalated to me to decide.

What I've decided – and why

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

Firstly, according to the contract of insurance, Markerstudy Insurance Services Limited ("Markerstudy") has delegated authority to handle claims on behalf of Zenith, as it's Zenith that's the insurer of the policy. In simpler terms, Markerstudy act for Zenith for certain matters – including the handling of this claim.

So, as Zenith is ultimately liable for the way a claim is dealt with, our investigator was correct in saying that this complaint ought to be against Zenith as the respondent business.

There's a centrally held database that records which insurers cover cars, that can help identify the relevant insurer according to the registration number of a vehicle (and not necessarily by the name of the policyholder). So, when there's been a driving incident and an interested party wants to claim from the insurer of the car involved, they can find the insurer's details from the central database using the car's registration number.

It seems likely that the party making this particular claim incorrectly noted the registration number of the car concerned; recording Mr F's registration by mistake. Occasionally, such oversights can lead to a claim being made against a policyholder who is not involved or has no knowledge whatsoever of the incident being claimed for. Here, Zenith appear to have been contacted because it's noted as the insurer of Mr F's vehicle – which is why the allegations seem to have come about, as the mistaken identity looks to have been caused by the incorrect registration number being taken at the scene.

While such mistaken claims are inevitably frustrating for the innocent policyholder concerned (in this case Mr F), it doesn't necessarily mean the party making the claim has acted fraudulently – they could've simply made an error. In any event, upon receiving the accusation that one of its policyholders was involved in an incident, Zenith was required by law to respond to the claim. It therefore was reasonable for Zenith to ask Mr F for his version of events, because, until he'd given his account, Zenith couldn't know for certain whether he'd been in the incident or not.

From the offset of the claim, Zenith proactively progressed things without undue delay. Before it had heard back from Mr F, Zenith asked the third party for further information about the incident, as it deduced that this was unlikely to be Mr F himself, or his vehicle. This was on the basis of the location of the collision compared to his home address – the distance indicated that this was not in keeping with Mr F's frequent areas of travel.

It's also evident that Zenith notified Mr F of the claim as soon as it became aware. After liaising with Mr F, Zenith was satisfied that he nor his car had been involved and it concluded that the allegations against him were indeed a case of mistaken identity. Zenith explained to Mr F that it would raise this with the other party. It then promptly told the third party insurer that it would look to defend the claim, stating that evidence was required to prove Mr F's involvement if the matter was to be pursued – which was the right thing to do.

Zenith also proposed to Mr F that an independent engineer could assess his car to prove that the vehicle had not participated in a collision of this kind. Because of the sequence of events, this inspection wasn't needed in the end – but, nonetheless, I'm persuaded that Zenith was duly prepared to help Mr F, including by looking to strengthen his case.

I can appreciate that Mr F believes that Zenith ought to have better explained his rights and provided more detail about the incident. In particular, Mr F has submitted that his insurer ought to have suggested the independent inspection sooner. However, I'm persuaded that Zenith acted in Mr F's best interests throughout, in an effort to resolve the matter without undue formality. It put forward the option of an independent engineer because, at that time, it had not yet heard back from the third party insurer. Again, in my opinion this shows that Zenith took steps to move things forward, even when it had not yet received a response from the other side.

A more thorough investigation would likely have required further time and effort from Mr F. For example, preparing evidence for a more formal pursuit such as legal proceedings would no doubt have proved somewhat of an inconvenience to him. So, preventing the need for further material or litigation saved Mr F from additional disruption.

Ultimately, an insurer is permitted to handle a claim with minimal costs, providing that it handles the claim fairly. And, overall, I'm persuaded that Zenith did respond to this claim reasonably.

The third party had initially brought a claim for personal injury as a result of the incident that took place. It's common for insurers like Zenith to require agreement from the claimant that they're no longer going to pursue the claim before the matter can be closed down. Otherwise, the claimant could simply continue to pursue it and take the matter to court, regardless of the fact the policyholder has consistently denied any involvement. Put simply, Zenith needed to wait for the third party insurer to confirm that the claim was mistaken before it could assure Mr F that the matter had been resolved.

In my opinion, Zenith acted with reasonable haste, promptly contacting the third party insurer. And it urged this insurer to ratify the mistaken identity as soon as possible. Zenith explained to Mr F that it had to give the third party insurer time to respond and investigate with the third party. Which makes sense, as it would need to allow the opportunity for the details to be clarified on that side, such as the disparity between Mr F's vehicle and the actual car involved in the incident.

I'm satisfied Zenith made numerous attempts to vindicate that the claim had been redirected to the true individual(s) involved and it stressed the urgency of a timely response. On multiple occasions, it sent letters to the third party insurer chasing a resolution and requested that record of the claim be removed from Mr F's claims history. All things considered, it's my judgment that the operative cause of the delay was the length of time it took this party to reply – not the acts or omissions of Zenith.

Zenith could not control the swiftness of the other party's actions or responses. Indeed, even when handled well, disputes of this nature can often take months to resolve given that they rely on the cooperation of the other side. With this in mind, I'm not persuaded that Zenith could reasonably be expected to have acted quicker to secure the other party's agreement to close this claim.

Likewise, taking everything into account, I cannot safely conclude that Zenith should have taken more robust action to ensure that the other side shut down the claim against Mr F. On the contrary, the documentary evidence leads me to believe that Zenith acted with reasonable endeavours here.

While a claim remains open, most insurers will treat it as if it's a "fault" claim – which can affect no claims discount (NCD) entitlement, and premiums until such time as it's closed. Fortunately, the matter was resolved within six months and there appears to have been no adverse effect on the price of Mr F's insurance. Zenith rightfully confirmed that the claim has been removed from a shared insurance database, along with recording it appropriately on its own system and clarifying Mr F's NCD entitlement.

Because Zenith has updated Mr F's record accordingly and there's been no financial loss – I do not require any remedial action, as it looks like Mr F has been put back in the correct position.

I recognise why Mr F believes he should be compensated. I can understand how stressful he might have found being accused of being at fault for an incident he knew he had no involvement in. However, I'm satisfied that Zenith acted fairly here and it was not to blame for Mr F's policy being referenced in error. So, although I know this will come as a disappointment to him, in light of my conclusions above, I do not require Zenith to award Mr F compensation.

My final decision

For the reasons I've given above, my final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 14 April 2021.

Matthew Belcher
Ombudsman