

The complaint

Mr A complains Admiral Insurance Company Limited (“Admiral”) settled a third-party claim for an unreasonably high amount against a motor insurance policy on which he’s a named driver. He’s unhappy it’s seeking recovery of the costs from him.

Reference to Admiral also includes agents acting on its behalf.

What happened

Mr A was involved in an accident with in October 2018. The police were called, and Mr A was later convicted of drink-driving. Admiral received a claim from the driver of the other car and contacted Mr A about this. It said Mr A had breached the terms and conditions of the policy and would therefore be removed from it. Admiral also said it was likely its liability would be limited to its obligations under the Road Traffic Act 1988 (RTA).

As it was in discussions with the third party, Admiral received court summons from them. Admiral negotiated a settlement before the claim progressed to court proceedings. It then sought recovery of these costs from Mr A.

Mr A complained to Admiral that it sent the recovery letters to the policyholder instead of him and this left him with no time to respond. He was also unhappy it didn’t keep him in the loop with regards to the claim, and questioned the costs involved. Mr A disagreed with the police report – he said the police only relied on the third party’s statement – and the degree of damage to the third party’s car. He thought Admiral didn’t properly investigate the third-party claim.

Admiral acknowledged it should have corresponded with Mr A as well as the policyholder, given the nature of the claim. It also accepted there were large gaps in its communication with Mr A. To recognise the distress this caused Mr A, Admiral offered £60 compensation. But it was satisfied the correct decision had been made regarding liability based on the available information.

Our investigator considered Mr A’s complaint and concluded Admiral had acted reasonably in settling the third-party claim. She explained under the RTA, Admiral was entitled to recover the outlay from Mr A. Mr A didn’t agree and asked for the matter to be reviewed by an ombudsman. So, the complaint has been passed 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.

I’d like to start by reassuring Mr A and Admiral that although I’ve only provided a summary of what happened, I’ve read and considered everything in its entirety. That I concentrate on the crux of the issue in my decision isn’t meant as a discourtesy but reflects the quick and informal service we provide.

What I need to decide here is whether it was fair of Admiral to settle a third-party claim due to its obligations under the RTA, and then recover this amount from Mr A. Under the RTA, Admiral must settle an 'unsatisfied judgement' obtained by a third party where a valid policy is in place. And an insurer can pursue the policyholder or anyone else named on the policy to recover the costs.

In this case, there was an out-of-court settlement. So, strictly speaking Admiral didn't settle the third-party claim due to its obligations under the RTA. But the policy does entitle Admiral to recover all sums paid (including all legal costs), whether in settlement or under a judgement, for any claims arising from an accident where the policyholder or any person entitled to drive is – among other situations – found to be over the legal limit for alcohol or drugs. And that is what has happened here.

It's not unreasonable for an insurer to step in and settle a claim prior to court proceedings. Insurers do this to save costs involved in the case going to court. And it's usually in the best interests of the individual that the insurer eventually recovers the costs from. For me to conclude Admiral acted unreasonably in settling the third-party claim, I'd need to be satisfied its decision was inherently wrong. By this I mean I'd need to be satisfied Admiral settled a claim that could have been successfully defended in court, or that it paid more than would have been due if the case had gone to court.

Mr A has told us he would have defended himself in court if he'd been given the opportunity sooner. And he's also questioned the costs involved. I can see Admiral notified Mr A of the court proceedings when it became aware. So, it could be argued Mr A was made reasonably aware of the court proceedings and given advanced notice. But I'm also mindful by this point Admiral had already started negotiating a settlement with the third party. I think Admiral could have been more proactive in updating Mr A to give him a chance to decide whether he wanted to defend the third-party claim if it went to court. But I don't consider its failure to do this has prejudiced Mr A's position in any way.

This is because having considered the available information, I'm not persuaded Mr A would have successfully defended the third-party claim in court if he'd tried to. I note he told Admiral at the outset he thought he was at fault for the accident. I'm also not persuaded Mr A would have achieved a better settlement if the case had gone to court. It's my judgement Admiral used its expertise to settle the third-party claim on the best terms.

I appreciate Mr A feels Admiral didn't carry out an adequate investigation into the third-party claim. But I can see it considered all the relevant information when considering the claim. I understand Mr A feels the police report is inaccurate as the police only relied on the third party's statement. But given the officers observed Mr A's conduct independently (noted in the report), I don't consider it unreasonable of Admiral to have placed most weight on the police's account of how the accident happened.

I can also see Admiral interrogated the costs claimed by the third party, including asking for a full breakdown as well as engineer and medical reports. So, Admiral asked the third party to substantiate the costs before satisfying itself these were fully accounted for and reasonably in line with the damages claimed for. The costs, which Mr A was responsible for, would have been significantly higher if the claim had progressed to court proceedings. I don't consider Admiral caused Mr A to be in a worse-off position because it negotiated a settlement. It was trying to limit the claim costs by acting quickly instead of waiting for a full court trial to decide costs.

In summary, while Admiral didn't have an obligation to settle the third-party claim, I can understand why it did so. And for the reasons I've set out above, I don't consider Admiral's actions have prejudiced Mr A's position. I'm also satisfied Admiral has acted within the terms

of the policy in recovering the costs associated with the settlement of the third-party claim from Mr A.

I've also considered Mr A's concerns regarding Admiral's communication about the claim. I can see Admiral already accepts it didn't update Mr A in a timely manner. And it wrote to the policyholder when it sought recovery of the claim costs from Mr A. The correspondence wasn't forwarded to Mr A until after the 28-day deadline. Understandably, this left him distressed and worried that Admiral might have commenced legal proceedings as mentioned in the recovery letter.

But when thinking about the impact, I'm also mindful Admiral hadn't yet commenced legal proceedings when Mr A got in touch. And it put recovery action on hold while it answered his enquiries. I note too that Admiral offered to discuss the repayment and work with Mr A in light of his financial situation. Taking everything into account, I consider Admiral's offer of £60 is fair compensation. It's in the region of what I would have considered awarding if Admiral hadn't already offered it. So, I won't be telling it to do anything further.

My final decision

For the reasons given, my final decision is Admiral Insurance Company Limited has already fairly resolved this complaint. If it hasn't already done so, I direct it to pay Mr A £60.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 3 September 2021.

Gagandeep Singh
Ombudsman