

The complaint

Mr M complains about how Liverpool Victoria Insurance Company Limited (LV) handled a claim made against his motor insurance policy.

What happened

Another driver's insurer alleged that Mr M had clipped their car's wing mirror and it held Mr M fully at fault. Mr M recalled an incident when the two cars had clipped wing mirrors on a country lane. He said the other driver was speeding at the time. He said they stopped but didn't exchange details. So he had his car repaired but didn't report this to LV. LV said that it was one driver's word against the other's. So it thought the best possible outcome was a 50/50 split liability settlement. Mr M was unhappy as his No Claims Discount (NCD) was reduced and his premium increased by over £400 at renewal.

Our Investigator recommended that Mr M's complaint should be upheld. He thought LV hadn't investigated the claim fully. He thought it should have asked for more information from the other insurer that may have had an impact on liability. He thought LV should explain to Mr M why it wasn't taking the matter to court. And he thought it should pay Mr M £100 compensation for the delays in settling the claim.

LV replied that it was unable to establish which version of events was correct. And so it thought it had acted correctly in seeking a split liability outcome. It thought further investigation wouldn't affect the outcome.

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 can understand that Mr M felt frustrated that he was held partly at fault for this claim. He's explained that the financial outcome for him has been significant. Mr M said he saw the other car oncoming at speed in a narrow country lane. He said he stopped and moved as close to the side of the road as he could to let the other car pass. But their wing mirrors clipped.

I can see there was some confusion about the location of the accident. But I think this was a mistake and I think Mr M agreed that he had been at the location and the cars did make contact.

The other driver, however, said Mr M had veered towards him and so their wing mirrors had made contact. The other driver's insurer held Mr M completely at fault. And LV said the best possible outcome was a 50/50 split liability settlement. This meant that a fault claim was recorded against Mr M, his NCD was reduced and his premium increased significantly.

The investigator has already explained that it isn't our role to decide who was responsible for causing the accident. This is the role of the courts. Instead, our role in complaints of this nature is simply to investigate how the insurer made the decision to settle the claim. Did it act fairly and reasonably and in line with the terms and conditions of the policy? And has it treated Mr M the same as someone else in his position.

LV is entitled under the terms and conditions of its policy with Mr M to take over, defend, or settle a claim as it sees fit. Mr M has to follow its advice in connection with the settlement of a claim, whether he agrees with the outcome or not. This is a common term in motor insurance policies, and I don't find it unusual. Insurers are entitled to take a commercial decision about whether it is reasonable to contest a third party claim or better to compromise.

That said, we expect an insurer to reasonably investigate a claim and consider the evidence before making its decision on liability. This is because of the impact its decision will have for the consumer.

LV said the evidence it relied was on the two versions of events. There was no dashcam footage or independent witnesses. But I can see that the allegation it relied on was a brief verbal report from the other insurer. LV said it confirmed its validity when it spoke to Mr M. But I can't see that it obtained the other driver's version of events or that it challenged the other insurer by providing Mr M's account. Nor did it ask why the other driver had driven off before exchanging details, as Mr M said. It also made its decision before establishing that there was damage to the other car consistent with that caused to Mr M's car. So I'm not satisfied that LV conducted a reasonable investigation before making its decision.

LV said it had warned Mr M from the start that a 50/50 outcome was the best possible one and so it had reasonably set his expectations. This may be so. But I think it offered this to the other insurer before it had concluded its investigation. And so I don't think this was fair or reasonable.

I agree with the Investigator's recommendation that LV should investigate the claim further. It is still waiting for the engineering report of the damage to the other car to check for consistency. I think it needs to obtain further evidence from the other insurer about the other driver's version of events and challenge it with Mr M's account. This may not change the outcome for Mr M, but it should explain in clearer terms how and why it has reached its decision.

If the outcome remains unchanged, and once LV has validated the claim costs, then I think LV should reasonably explain to Mr M the option of buying back the claim. This will give him the opportunity to restore his NCD if he so wishes.

Our Investigator thought this further investigation would cause avoidable delay in the claim being settled. I agree, and I think LV should reasonably compensate Mr M for this and for its poor investigation. The Investigator recommended that LV should pay Mr M £100 compensation for this. I think that's fair and reasonable as it's in keeping with our published guidance.

Putting things right

I require Liverpool Victoria Insurance Company Limited to do the following:

1. Further investigate the claim against Mr M to obtain evidence to justify and explain its decision on liability.
2. Pay Mr M £100 compensation for the distress and inconvenience caused by its avoidable delay in settling the claim.

My final decision

For the reasons given above, my final decision is that I uphold this complaint. I require Liverpool Victoria Insurance Company Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 4 April 2022.

Phillip Berechree
Ombudsman