

## **The complaint**

Miss J complains that Advantage Insurance Company Limited mishandled a claim on her motor insurance policy.

Where I refer to Advantage, I include the insurance intermediary and others insofar as I hold Advantage responsible for their acts or omissions.

## **What happened**

For the year from late November 2016, Miss J took out a car policy through an intermediary. Advantage was the insurance company that was responsible for setting premiums and dealing with any claim. The premium for the year was going to be about £800.00.

In April 2017, Miss J's car and a third party's vehicle were involved in an incident.

Miss J made a claim on her policy. At first, Advantage thought her car was repairable. Later Advantage said the car was a total loss. It paid Miss J its pre-accident value of £6,320.00, less the policy excess of £345.00.

On 10 May 2017, Advantage noted a change of address. The premium for the year was going to be increased by about £310.00 to about £1,130.00.

On about 28 May 2017, Miss J got a replacement car and put it on the policy. The premium for the year was going to be increased by about £450.00 to about £1,580.00.

The third party (through his insurer) made a claim against Miss J.

Miss J took out a new policy with Advantage for the year from late November 2017. The cost for the year was going to be about £2,900.00. That included about £400.00 interest. Miss J agreed to pay by 11 instalments of about £264.00 starting from late December 2017.

Advantage investigated the third party's claim. It decided that it had enough evidence to tell the third party's lawyers that it wouldn't pay his claim.

On 20 July 2018 Advantage noted another change of address for Miss J.

Miss J moved overseas. She cancelled her policy with effect from 13 August 2018. I think that, by that time, she would've paid 8 instalments of about £264.00 on each of the 8 payment dates from late December 2017 to late July 2018. That's a total of about £2,112.00. Advantage refunded £174.14.

In early July 2020, Advantage closed Miss J's claim as a fault claim against her - but didn't tell Miss J.

In mid-March 2021, Miss J's mother called Advantage for an update on the claim, Advantage told her it had closed the claim as a fault claim against Miss J. But Advantage decided it would change the status of the claim to non-fault.

Advantage retrospectively reduced Miss J's premium and refunded £560.68 for the period from November 2017.

In July 2021, Miss J complained to Advantage that it hadn't done enough to keep her informed. She also complained that Advantage had wrongly labelled her "at fault", so for 8 months she had been paying an 'at fault' premium, costing her an extra £1,469.00.

By a final response dated August 2021, Advantage upheld Miss J's complaint in part. Advantage refunded £218.68 for the year from November 2016. Advantage said it was also sending a cheque for £150.00 as an apology.

Unhappy with that, Miss J brought her complaint to us without delay.

#### *our investigator's opinion*

Our investigator recommended that the complaint should be upheld. He thought that Advantage couldn't prove the premiums were accurate or fair. He said he couldn't assess which increases have been affected by the claim and which are independent from it. He recommended that Advantage should pay Miss J:

1. for the year 2016/17 a refund of any premiums she had paid above her original 2016 policy premium of £821.17; and
2. for the year 2017/18 a proportional refund of any premiums calculated from £821.17, minus any cancellation fees and the refund of £174.14 already given; and
3. 8% simple interest per year on the refunds from the date she paid the premiums until the settlement is paid.

#### *my provisional decision*

After considering all the evidence, I issued a provisional decision on this complaint to Miss J and to Advantage on 28 April 2022. I summarise my findings:

Advantage paid Miss J about £6,000.00 in settlement of her claim. Advantage recovered only the salvage value of her damaged car. Advantage didn't recover its outlay in full. So I wouldn't have found that Advantage had treated Miss J unfairly if it had continued to record her claim as a fault claim.

Advantage should've communicated with Miss J better throughout the claim and on its closure in 2020.

However, Advantage had taken the following steps in Miss J's favour:

- It changed the record of the claim from fault to non-fault, allowing it for her no-claims bonus.
- It sent her a cheque for £560.68 for the period from November 2017.
- It sent her a cheque for £218.68 for the year from November 2016.
- It sent her a cheque for £150.00.

As Advantage confirmed those steps in a final response letter, I found it fair and reasonable to hold Advantage to them. But I considered that those steps went beyond what Advantage was obliged to do. So I was minded that they were compensatory.

The shortcomings in Advantage's communication caused Miss J worry about what was happening. I didn't under-estimate that impact. But I was minded that the steps Advantage had taken were enough compensation.

I didn't think Miss J had paid in the cheques

Subject to any further information from Miss J or from Advantage, my provisional decision was that I intended to direct Advantage Insurance Company Limited to pay Miss J (insofar as it hasn't already paid her) the following amounts:

1. £560.68 in partial refund for the period from November 2017; and
2. £216.68 in partial refund for the year from November 2016; and
3. £150.00 for distress and inconvenience.

Miss J agreed with the provisional decision.

Advantage hasn't responded to the provisional decision.

### **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.

The Financial Ombudsman Service is bound by the Financial Conduct Authority's dispute resolution rules. The effect of one of those rules is that a consumer must first make a complaint to the financial firm and wait for up to 8 weeks for a final response before we can investigate that complaint.

An insurance company may make an outlay either on a claim from its policyholder or to settle a claim from a third party. It's common practice that where an insurance company has made an outlay, it will record the claim as a fault claim against its policyholder unless and until it recovers its outlay in full, typically from a third party's insurer.

There may be a number of reasons why an insurance company cannot recover its outlay. It follows that an insurance company may record a fault claim against its policyholder even if she wasn't at fault in causing the accident.

Any claim – and especially a fault claim - is likely to increase future premiums.

Miss J hasn't complained about the premium increases in May 2017. And in any event, I find it unlikely that Advantage made those increases because of the open claim before the date when the policy would expire (or need renewal) in November 2017.

Advantage paid Miss J about £6,000.00 in settlement of her claim. Advantage recovered only the salvage value of her damaged car. Advantage didn't recover its outlay in full.

So I wouldn't have found that Advantage had treated Miss J unfairly if it had continued to record her claim as a fault claim – and charged premiums accordingly.

Advantage should've communicated with Miss J better throughout the claim and on its closure in 2020.

However, Advantage has taken the following steps in Miss J's favour:

- It changed the record of the claim from fault to non-fault, allowing it for her no-claims bonus.
- It sent her a cheque for £560.68 for the period from November 2017.
- It sent her a cheque for £218.68 for the year from November 2016.
- It sent her a cheque for £150.00.

As Advantage confirmed those steps in a final response letter, I find it fair and reasonable to hold Advantage to them.

But I consider that those steps go beyond what Advantage was obliged to do. I don't consider that Advantage was obliged to change the claim to non-fault. So it wouldn't have been obliged to make any refund of premium on making such a change. In any event, I've found it unlikely that the premium increases before November 2017 were because of the open claim.

So I consider that the steps Advantage took were compensation for Miss J.

### **Putting things right**

The shortcomings in Advantage's communication caused Miss J worry about what was happening. I don't under-estimate that impact. But I conclude that the steps Advantage has taken are enough compensation.

Miss J has shown us that she still has the original three cheques dated summer 2021. And I don't think she will be able to pay them into her account about a year later. So I will direct Advantage to pay her their amounts insofar as it hasn't already done so. I don't find it fair and reasonable to direct Advantage to do any more in response to this complaint.

### **My final decision**

For the reasons I've explained, my final decision is that I direct Advantage Insurance Company Limited to pay Miss J (insofar as it hasn't already paid her) the following amounts:

1. £560.68 in partial refund for the period from November 2017; and
2. £218.68 in partial refund for the year from November 2016; and
3. £150.00 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 15 July 2022.

Christopher Gilbert

**Ombudsman**