

## **The complaint**

Mrs M complains about AA Underwriting Insurance Company Limited (AAUICL) trying to recover the cost of repairs for her car from her after she claimed on her car insurance policy.

## **What happened**

Mrs M had a policy with AAUICL which was due to renew. AAUICL wrote to Mrs M to let her know and provided her policy documents for the next year. Mrs M found a cheaper quote with another insurer and so cancelled the renewal with AAUICL.

Around six months later, Mrs M was involved in a car accident with a third party. She therefore looked for her car insurance documents and found the ones AAUICL had sent when her previous policy was due to renew. Mrs M therefore called AAUICL to report the claim.

AAUICL accepted the claim, collected Mrs M's car and repaired it for her. Mrs M was then contacted by her car insurer who I shall refer to as "insurer B". Insurer B said it had received a claim from the third party and asked Mrs M about the details of the claim. She explained that she was insured with AAUICL, and it was handling the claim and so she must be dual insured. Because of this she asked for insurer B to cancel the policy she had with it, which it did and back dated it to the start of the policy.

AAUICL then discovered that Mrs M had cancelled the renewal of her policy and so she didn't have a policy with it which covered her for this accident. Because of this, AAUICL asked Mrs M to repay the repair costs and directed the third party to recover its costs directly from Mrs M.

Mrs M didn't think this was fair and complained. She agreed she'd called the wrong insurer, but by AAUICL dealing with a claim it shouldn't have meant she was now being chased by the third party for the damage to their car, being asked by AAUICL to repay the repair costs to her car and also had been notified that she'd been driving without insurance. Mrs M also said AAUICL and insurer B had recorded claims on the Claims Underwriting Exchange (CUE) database which meant she was finding it harder to get insurance.

AAUICL reviewed the complaint and didn't uphold it. It acknowledges that due to a system error it had dealt with Mrs M's claim when it shouldn't have been able to. However, when it had checked for another insurer for the incident it found that insurer B's policy was showing as being cancelled the day after the policy with AAUICL was supposed to renew. And as there was therefore no insurer showing for the accident AAUICL felt it was fair for the third party to recover its costs from her privately. AAUICL also said as Mrs M's car had been repaired when it shouldn't have that she'd gained a financial benefit and so didn't agree to award any compensation. Mrs M didn't think this was fair and referred her complaint here, she said she'd always made sure she had insurance and it was only down to an oversight of calling the wrong insurer which now meant she was left with no cover.

Our investigator reviewed Mrs M's complaints about AAUICL and insurer B. He recommended insurer B reinstate the policy for Mrs B as it had been in place at the time of

the accident. Insurer B agreed to do this as the policy had been in place with it at the time. As insurer B agreed to deal with Mrs M's claim it meant Mrs M wouldn't be chased for the third party's costs, as she was now showing as correctly insured and meant AAUICL could recover its outlay from insurer B.

Our investigator therefore recommended AAUICL pay Mrs M £500 for the unnecessary distress and inconvenience it caused by dealing with Mrs M's claim when it shouldn't have.

AAUICL didn't agree. It said insurer B had been in contact and its financial costs were being directed to insurer B. Therefore, Mrs M had avoided paying her excess, paying for the repairs to her car and the third party claim costs. AAUICL said it had paid the repairer for the repairs to Mrs M's car and that a payment plan could have been arranged with them. It therefore felt the compensation was too high and asked for an ombudsman's decision.

As AAUICL didn't agree the complaint has come 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.

As both parties agree AAUICL made an error in accepting Mrs M's claim and repairing her car I see no reason to revisit that here. I'll therefore focus my decision on whether I'm satisfied AAUICL has done enough to put things right. And I'm not persuaded it has.

While I'm pleased to see AAUICL acknowledge its error. I'm not persuaded Mrs M has been fairly compensated for AAUICL's error. However, I have also taken into account that this situation only arose due to Mrs M calling the wrong insurer.

While I understand Mrs M called the incorrect insurer, due to a system error it meant AAUICL incorrectly handled her claim. Which meant she was surprised when insurer B contacted her about a third party claim and cancelled the policy. This resulted in Mrs M having two claims recorded on an external database, she was chased by the third party for its repair costs and had AAUICL seeking to recover thousands of pounds in repairs costs for Mrs M's car. This is exactly the situation Mrs M wished to avoid by having fully comprehensive insurance. She also had the worry of being told she'd been driving without insurance as neither insurance policy was showing as live for the incident.

This whole situation took almost six months to rectify and ultimately wouldn't have happened if AAUICL had confirmed that Mrs M cancelled her renewal when she called up to claim. I'm therefore satisfied that AAUICL caused Mrs M unnecessary distress and inconvenience over several months. To compensate her for this I'm persuaded £500 is a fair and reasonable amount for the distress and inconvenience caused. Therefore, to put things right, AAUICL need to pay Mrs M £500 for distress and inconvenience. It should also remove the record of the claim from any internal and external databases, as it should never have dealt with it. And for clarity AAUICL needs to not recover any of its financial outlay from Mrs M as it can now recover that from insurer B.

### **My final decision**

For the reasons explained above, my final decision is that I uphold this complaint. I require AA Underwriting Insurance Company Limited to:

- Pay Mrs M £500 compensation for distress and inconvenience

- Remove the record of it dealing with the claim from internal and external databases
- Redirect its recovery to insurer B and not pursue Mrs M for its financial outlay

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 30 June 2023.

Alex Newman  
**Ombudsman**