

The complaint

Miss A complains about how Aviva Insurance Limited (“Aviva”) handled a claim made by a third party under her motor insurance policy.

What happened

Miss A had a motor insurance policy with Aviva. In December 2021 Aviva received a call from a third party who alleged Miss A had driven into their vehicle.

Aviva took details of the third party’s claim directly from them, which related to an incident in April 2021. Other allegations were also mentioned by the third party, which were serious in nature and would have probably meant police involvement. Aviva then called Miss A and asked her for some information about what had happened.

Miss A’s version of events was very different from the third party’s and she told Aviva there had been no damage to either vehicle and consequently there was no claim to be made.

Aviva told her it would investigate.

Aviva continued to handle the third party’s claim and settled it for about £3,500 in March 2022. Miss A was unhappy about this and complained.

Aviva looked into her complaint and said it hadn’t handled her claim fairly. It said it failed to investigate the third party’s claim properly. It offered Miss A £100 compensation which Miss A didn’t accept. Aviva also reinstated Miss A’s No Claims Discount (NCD)

Miss A remained unhappy and brought her complaint to this service. She asks that the claim is removed from her records and an external database where it was recorded. Our investigator looked into her complaint and upheld it. She thought Aviva should pay a total of £200 for her distress and inconvenience.

Aviva agreed with the view, but Miss A didn’t. Because she didn’t agree, her complaint has been passed to me to make a final decision.

I issued a provisional decision to allow both parties to consider things further. This is set out below.

In later correspondence, Miss A says that the cost of her insurance is much higher because she needs to tell insurers about the incident. She asks that the claim is removed from an external database because she thinks it was recorded incorrectly, and it will affect her policy for the next few years.

Miss A says she doesn’t think it’s fair to bear the responsibility for an incident she says didn’t happen, as well as Aviva’s failure to investigate the third party’s claim properly.

I’ve thought about Aviva’s comment that it failed to investigate the third party’s claim properly. From the evidence I have, I can say Aviva did make contact with Miss A about it, but the notes I can see from its system then seem to talk about inconsistencies in Miss A’s

version of events, rather than the third party.

I must also consider that under the terms of its policy wording, Aviva has the right to resolve the claim as it sees fit, even without notifying Miss A.

Aviva has now settled the third-party's claim, but it seems to me that it has failed in its duty of care to its policyholder. Given Miss A's vehement denial, I think I'd reasonably expect Aviva to have investigated the situation much further especially given the eight-month delay in the third party making the claim.

Miss A has talked about the increase in her premiums because of this claim. She's mentioned an increase of 80%, which is based on a quotation from Aviva of £1,876 and an estimate of about £3,378. Miss A has sent this service screenshots of various quotes she's obtained from insurers which also includes taking off the claim, which reduces the estimate to about £2,354.

It's important that I say these figures represent quotations rather than the actual amounts paid out by Miss A.

The situation is more complex because, from the information I have, I can see that she's moved home during the period in question, which has had a significant impact in reducing her premiums.

I've also thought about the records of the incident on Aviva's system and another external database.

I asked both Miss A and Aviva to provide evidence about the incident from the police. Aviva didn't have any, and Miss A provided some evidence she'd had which mentioned an offence was being investigated, but from what I have, this isn't the same as what was alleged by the third party in their conversation with Aviva.

Having looked at this information, on balance I think it's reasonable to say that an incident of some sort took place between Miss A's car and the third-party vehicle in April 2021. Having established that, I can't fairly ask for Aviva to remove details of it from its system or the external database.

But by not investigating the claim, Aviva has put Miss A in a situation where her records show that a third-party claim was paid and Aviva couldn't recover its costs. This is commonly known as a 'fault' claim.

Miss A has talked about the third-party claim being fraudulent and as such she wants it to be removed from the external database. This service doesn't have jurisdiction over the database so I'm not able to consider this as part of my decision.

Keeping in mind that I think a record needs to be kept, I think it's also fair that I ask Aviva to change the details on its system and the external database to show it was a 'notification only' incident or similar.

I can see from Aviva's evidence that it's reinstated Miss A's NCD, which I think is fair and reasonable.

Taking everything into account, I think it's fair to ask Aviva to pay Miss A additional compensation for her distress and inconvenience, which I can see has been significant. I'm not able to determine the impact on Miss A's premiums caused by Aviva's failure to investigate the claim properly, so instead I propose to increase its compensation payment to

a total of £500.

I'd invite both parties to consider this carefully. If further evidence can be provided about the actual amount paid out by Miss A directly caused by Aviva's failure to investigate the claim, then I'd be able to consider this in my final decision.

Responses to my provisional decision

Miss A accepted my provisional decision.

Aviva responded and said it didn't agree with the level of compensation I'd proposed to award. It pointed out that Miss A had other entries on the external database which reasonably would have affected the premium she was paying. It thought the appropriate level of compensation should stay at £200.

It said the incident was recorded as non-fault, with bonus allowed, on the external database.

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 asked Miss A to send evidence of her premium increase and I've considered the information she sent me. It's been very difficult to establish the level of increase due solely to the actions that Aviva took in handling the third-party claim.

But I am satisfied that Aviva made a substantial error in dealing with the claim in the way that it did, and I am satisfied that there has been a direct impact on the premium Miss A paid. This is in addition to the distress and inconvenience I can see she's been caused.

Taking everything into account, I think the fair and reasonable decision is to award her £500 compensation in total.

I have amended this final decision slightly from my provisional decision because Aviva has already changed the details on the database to reflect the nature of the incident.

My final decision

It's my final decision that I uphold this complaint in part. I direct Aviva Insurance Limited to pay Miss A a total of £500 compensation for her distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 12 July 2023.

Richard Sowden
Ombudsman