

The complaint

Mrs B complains about how Admiral Insurance (Gibraltar) Limited handled another driver's claim against her motor insurance policy.

What happened

Mrs B's son was involved in an accident whilst driving Mrs B's car when he wasn't insured to do so. Admiral said that as he was liable, then it had to deal with the other driver's claim under the Road Traffic Act (RTA) and then recover its outlay from Mrs B. Admiral said it would keep Mrs B updated about the claim.

But Mrs B didn't hear anything further from Admiral for over a year. Then she received a letter saying that she had been uncooperative and asking her to pay over £13,000 in costs. Mrs B challenged this as she thought the costs were inflated, and Admiral reduced some costs, and the bill was now about £11,000. Admiral agreed its service levels had been poor. And it paid Mrs B £300 compensation. But Mrs B remained unhappy.

Our Investigator recommended that the complaint should be upheld. She thought Admiral's payment of compensation for the trouble and upset caused by its level of service was fair and reasonable. She thought the amounts Admiral was seeking from Mrs B for the total loss of the other driver's car and personal injuries was fair and reasonable. But she couldn't see that it had justified the charges for recovery, storage and hire. So she thought it should remove these charges from the amount it was trying to recover from Mrs B.

Admiral didn't agree with the Investigator's view, so the complaint has come to me for a final 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.

I can see that unfortunately Mrs B's son wasn't covered to drive her car when they thought temporary cover was in place. And Admiral declined to indemnify him. I can see that liability for the accident isn't disputed and Mrs B agreed to reimburse Admiral for its outlay. But I can understand her shock and frustration when she received a bill for such a large sum without any notice from Admiral for over a year.

Our approach in cases like this is to consider whether the insurer's acted in line with the terms and conditions of the policy and fairly and reasonably. Mrs B's policy's terms and conditions state:

"6. Right of recovery: If an incident occurs which is not covered by this policy and we are required by the law of any country to make a payment, we can recover that amount from you or any other insured person."

Mrs B's son wasn't covered by her policy, but her car was. And, as he was at fault, Admiral said it was required to deal with the other driver's claim in keeping with its terms and conditions. I think it's reasonable for Admiral to deal with the other driver's claim to avoid court costs. And I think it's fair and reasonable for Admiral to recover its outlay from Mrs B.

But we'd expect Admiral to provide evidence to justify its outlay. And Admiral has provided us with very limited evidence to show that its outlay was fair and reasonable.

I can see from Admiral's file that the other driver's car was deemed to be a total loss following the accident. This was based on engineering evidence that would usually contain a valuation of the car's market value. Mrs B said her car had very minor damage. But the cost of repairing minor damage on a low value car, such as the other driver's, can make repairs uneconomical. And so I think it was fair and reasonable for Admiral to pay £3,600 for the other car's total loss and £100 for an engineer's report.

The other driver made a low cost personal injury claim. This was supported by medical evidence. The onus is on Admiral to disprove such claims and it didn't have any evidence to do this. And so I think it reasonably paid £495 for the claim and £216 for the medical report.

Admiral paid for 34 days storage costs and 37 days hire costs for the other driver. But we'd expect that when a car is declared to be a total loss and payment is made, then hire ceases or isn't provided at all if the car isn't unroadworthy. Admiral has already reduced the hire and storage costs as it said it had caused delays in making the payment. But I haven't seen evidence that the other driver's car was unroadworthy and so had to be recovered and stored, or that a hire car was required. And I haven't seen evidence that Admiral reasonably progressed the claim as it's obliged to do.

So I'm not satisfied that Admiral has justified these costs. And I think it's unfair for it to recover costs for recovery, storage and hire from Mrs B. And so I think Admiral should reduce the amount it is seeking to recover from Mrs B by £6,494.92 to £4,411.00. Mrs B said she was trying to raise money to pay Admiral, but I can't see whether a payment was made. If she has, then I think Admiral should refund the overpayment for recovery, storage and hire, adding interest as Mrs B would have been without her money for some time.

Mrs B made it clear to Admiral after she had submitted her form giving it consent to deal with the other driver's claim that she wanted to be kept updated. But Admiral didn't contact Mrs B again for over a year. It then upheld her complaint and agreed that its communication had been poor, that some of the claim costs had been inflated due to its errors, and that it gave her no warning about the likely claim costs. Admiral offered Mrs B £300 compensation for the trouble and upset this caused. And I think that's fair and reasonable redress for the impact of its errors over a period of months.

Putting things right

I require Admiral Insurance (Gibraltar) Limited to do the following:

1. Reduce the amount it is seeking to recover from Mrs B by £6,494.92 for the recovery, storage and hire fees.
2. If Mrs B has paid more than the remaining £4,411, then Admiral should refund Mrs B the difference between £4,411 and what she has paid. If Mrs B is due a refund, Admiral should also add interest to this amount at the rate of 8% simple per annum from the date of the overpayment to the date of the refund.
3. Pay Mrs B £300 compensation for her distress and inconvenience if it hasn't already done so.

My final decision

For the reasons given above, my final decision is that I uphold this complaint. I require Admiral Insurance (Gibraltar) Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or

reject my decision before 20 November 2023.

Phillip Berechree
Ombudsman