

## **The complaint**

Mr C complains that Allianz Insurance plc mishandled a claim on his motor trade insurance policy.

## **What happened**

For the year from December 2021, Mr C had a policy with Allianz. The policy covered any vehicle being driven in connection with his business.

In early April 2022, an insured vehicle driven by Mr C made minor contact with the offside of a third party's sports utility vehicle.

The third party later made a claim to Allianz that Mr C had damaged the SUV's wing mirror and door. The third party's claim included the cost of repairs and the cost of a credit-hire car pending completion of repairs.

Allianz paid the claim including over £5,000.00 for the third party's hire costs.

In early December 2022, Mr C complained to Allianz that – without telling him – it had paid out too much.

By a final response dated December 2022, Allianz apologised for not contacting Mr C before settling the third party's claim. It said it would send him £150.00 on receipt of his bank account details. Allianz said its in-house engineer had approved the third party's repair costs. It said that the car hire period should've been about eleven days.

In late January 2023, Allianz agreed to remove about £3,800.00 of the credit hire cost from Mr C's claims history.

In February 2023, Mr C brought his complaint to us.

### *our investigator's opinion*

Our investigator didn't recommend that the complaint should be upheld. The investigator thought that the repair costs and the reduced hire costs were reasonable. The investigator thought that Allianz's offer was fair.

### *my provisional decision*

After considering all the evidence, I issued a provisional decision on this complaint to Mr C and to Allianz on 2 August 2023. I summarise my findings:

I didn't consider that Allianz's decision to settle was unreasonable or unfair to Mr C.

£150.00 was a fair offer to put right the upset and inconvenience caused to Mr C by the shortcomings in Allianz's communication. As Allianz hadn't paid it, I was minded to uphold this complaint and to direct Allianz to pay Mr C that amount.

Subject to any further information from Mr C or from Allianz, my provisional decision was that I upheld this complaint in part. I intended to direct Allianz Insurance plc to pay Mr C £150.00 for distress and inconvenience.

Mr C disagreed with the provisional decision. He said, in summary, that:

- The third party's claim was false. Allianz should have identified it as a fraudulent claim. Allianz should not have settled the claim to the value which was agreed.
- The ombudsman should instruct Allianz to remove the claim against his insurance record, and to decrease his insurance premiums to what they were before the claim.

Allianz disagreed with the provisional decision. It said, in summary, that:

- The correct award was made to the customer and the correct outcome was reached.
- Mr C did not respond to accept the compensation and in turn provide bank details so it could raise payment.
- It would be unfair to have a change in favour of Mr C and against Allianz.

### **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.

Any claim, and particularly a fault claim, is likely to have an adverse effect on the policyholder's premium from the next renewal date for a few years. Different insurers assess and price risk differently at different times. Often insurers place more weight on the existence of a previous claim and less weight on its amount.

Most motor insurance policies have a term allowing the insurer to decide how best to deal with a claim from a third party. Allianz's policy terms included the following:

*"4 Claims (i) – Action By You*

*You shall in the event of any injury, loss destruction, damage or consequential loss as a result of which a claim is or may be made under this Policy or any Section of it, and again upon receipt by You in writing of any notice of any claim or legal proceeding...*

*j allow Us in the name of and on behalf of You to take over and, during such periods as We think proper, to have the absolute conduct and control of all negotiations and proceedings which may arise in respect of any claim and the settlement thereof and co-operate fully with Us for that purpose."*

In my view, that meant that – on an issue of how best to deal with a third party's claim – Allianz's view would prevail over the policyholder's view.

From its claim file, I see that Allianz had noted Mr C's statement that he had caused no damage.

However, the third party was pursuing a claim and Allianz was duty-bound to respond to it. It was common ground that Mr C's vehicle had made contact with the third party's vehicle. The dispute was about the extent of the damage and the amount of the third party's claim.

Allianz got its in-house engineer to check the third party's claim for repair costs. That is what

I would expect it to do. The engineer recommended payment of the repair costs.

Allianz had noted the conflicting versions of events and the nature of the claimed damage to the third party's vehicle. Allianz decided that – rather than incur the cost and risk of court proceedings – it would settle the third party's claim.

Allianz should've communicated with Mr C better than it did. I accept that Allianz's failure to communicate meant that – when he found out about the settlement - Mr C felt that the outcome should've been different.

However, keeping in mind the policy term quoted above and its engineer's input, I don't consider that Allianz's decision was unreasonable or unfair to Mr C. In any event, Allianz reviewed the hire costs and reduced the amount it recorded on Mr C's claims history.

#### Responses to the provisional decision

Mr C considers that his minor contact couldn't have caused costs of the amount that Allianz paid. However, I've noted that its policy terms gave Allianz "*absolute conduct and control of all negotiations ... in respect of any claim and the settlement thereof*". So, notwithstanding Mr C's report, Allianz was entitled to settle the third party's claim as it saw fit.

I consider that Mr C has fallen well short of the evidence that would be required to show that the third party's claim was fraudulent, or that Allianz should've identified fraud. I haven't found that its decision to settle was unreasonable or unfair to Mr C.

Mr C has reiterated that he suffered an increased premium on the renewal from December 2022. I find it likely that some of that increase was caused by the claim. And Allianz hadn't communicated with Mr C as well as it should've done.

However, I find it likely that some of the increase in premium was caused by inflation. Moreover, the facts are that Mr C's vehicle did make minor contact with the third party's, and the third party did make a claim that Allianz decided to settle. So I don't find it fair and reasonable to direct Allianz to treat the claim as though it never happened.

Allianz offered the £150.00 in its final response. It has said Mr C didn't provide his bank details so that it could pay him that amount. So Allianz doesn't consider it fair for us to record a "change in outcome".

To be clear, my decision is to uphold the complaint and to direct Allianz to pay Mr C the £150.00, but – compared to Allianz's final response - that is not a change in outcome in favour of Mr C.

#### **Putting things right**

Overall, I conclude that £150.00 was a fair offer to put right the upset and inconvenience caused to Mr C by the shortcomings in Allianz's communication. As Allianz hasn't paid it, I will uphold this complaint and direct Allianz to pay Mr C that amount. I don't find it fair and reasonable to direct Allianz to do any more in response to this complaint.

#### **My final decision**

For the reasons I've explained, my final decision is that I uphold this complaint in part. I direct Allianz Insurance plc to pay Mr C £150.00 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 26 September 2023.

Christopher Gilbert

**Ombudsman**