

The complaint

Mr W complains AXA Insurance UK Plc (AXA) unfairly settled his claim on his motor insurance policy and this has affected his policy premiums excessively.

AXA are the underwriters of this policy i.e. the insurer. Part of this complaint concerns the actions of the intermediary. As AXA have accepted it is accountable for the actions of the intermediary, in my decision, any reference to AXA includes the actions of the intermediary.

What happened

Mr W was involved in an incident in July 2022 in which he reversed into a third party parked vehicle. Fault was accepted by Mr W. Mr W did not pursue a claim for damage to his own car. AXA settled the third-party claim.

In April 2023 AXA wrote to Mr W to confirm the claim was closed. He was unhappy with the amount paid to the third-party insurer. He said the damage was limited and feels the claim was exaggerated and should have cost much less for the damage caused.

AXA said the third-party has supplied full evidential support of their claim and did not feel there was any mistake. It said it reserves the right to settle the claim as it sees fit.

Because Mr W was not happy with AXA, he brought the complaint to our service.

Our investigator did not uphold the complaint. They looked into the case and said AXA have the right to settle the claim on Mr W's behalf as per the policy terms and conditions. They didn't believe it had done anything wrong in this case in reimbursing the amount it had settled for. They understood why Mr W would feel AXA were overcharged for these repairs based on the photos of the damage, however, a photo would not show the full extent of the damage and there could be internal damage which couldn't be seen. They also said the costs paid included car hire charges for the third-party.

As Mr W is unhappy with our investigator's view the complaint has been brought to me for a final decision to be made.

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.

In the terms and conditions of Mr W's policy it says;

"Subsection 4: Making a claim

The Insurer will be entitled to take over and conduct at the Insurer's expense in your name or in the name of any other person insured by this Insurance Document:

(i) the negotiation defence or settlement of any claim;"

This term is not unusual in an insurance policy, and it means AXA do not need permission as to how it settles the claim.

When looking at complaints relating to claims for damage to a vehicle, our service can't determine the exact damage caused and we are unable to tell an insurer how much it should pay. Instead what we look at is the information the insurance company relied on to make its decision.

In this case I saw an inspection on the damage to the third-party car was conducted by an approved engineer. I looked at the inspection report and this detailed repairs to the bodywork of the car and replacement of the front wheel. An estimate for the repairs which included parts and labour was prepared and the total cost was almost £4,000. I saw this was authorised by AXA and the repairs were undertaken. Once completed AXA settled the repair costs it had agreed.

I acknowledge Mr W showed the image of the point of impact damage to the third-party car to a mechanic. The mechanic said it should cost around £1400 for a new part and £400 for the repairs. However this was based only on looking at the image and not an actual inspection of the car.

I saw the estimate of repair costs did not increase once the car was at the repairing garage, and from the information I have seen the only repairs made were to the front of the car where the impact occurred. I have found nothing that suggests AXA overpaid on this claim. As AXA relied on a professional assessment of the damage and the repairs needed I think it has been fair in this case.

The total settlement cost paid by AXA was £6715.19. This amount included car hire for the third-party, whilst they were without a car, in addition to the repairs to the damaged car.

AXA said because Mr W accepted liability for the incident this is a clear fault claim, and if the third-party solicitors were to take the case to court, it would not be able to defend or dispute these costs. It would remain as a fault claim regardless, and the decision would not be changed.

I looked at Mr W's policy schedule and saw when the policy started in March 2022 it included 15 years no claim discount from his previous insurer. Because his policy did not include the addition of the optional no claims discount protection, this will have affected the number of years of no claim discount as per the terms and conditions of his policy. This means he will have had fewer no claims discount years to rely on when obtaining a new policy.

Mr W said his insurance premiums have increased excessively because of the amount of the settlement.

When calculating what premium to charge individual policyholders, insurers take numerous different factors into account – these are likely to include, but are not limited to, the policyholder's postcode, the age of the drivers, the number of fault claims and non-fault claims etc. And different insurers assess risk differently. What is high risk to one may not be to another. Individual insurers may also use different data when assessing the risk posed. AXA said the amount that repairs costs does not affect its premiums, however other insurers may take this amount into consideration.

I understand Mr W will be disappointed with my decision as I know he feels strongly that the amount paid to settle this claim was too high and has affected his policy premiums. But as I have found nothing to suggest AXA overpaid on this claim, I do not uphold his complaint and do not require AXA to do anything further in this case.

My final decision

For the reasons I have given I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 6 September 2024.

Sally-Ann Harding
Ombudsman