

## The complaint

Mr B complains that Zurich Insurance plc mishandled his motor insurance policy.

## What happened

Mr B had a car that he used as a taxi.

Mr B used a broker to get the taxi insured for the year from 28 June 2020. He renewed the policy for the year from 28 June 2021 and for the year from 28 June 2022.

The policy was in the name of an agent for Zurich. Zurich was the insurer. Insofar as I hold Zurich responsible for the acts or omissions of its agent, I may refer to them as acts or omissions of Zurich.

Unfortunately, Mr B made a claim for damage in October 2022.

On 20 June 2023, Mr B paid the broker to renew the policy for the year from 28 June 2023. Unfortunately, on about 22 June 2023, there was an incident involving the taxi and a cyclist. The cyclist suffered a minor injury.

On 28 June 2023, the policy renewed. The policy documents said that Mr B had seven years' no-claims bonus ("NCB") and that it was "protected". The policy documents included the following:

*"The No claim bonus will be retained subject to not more than two claims which would have prejudiced the bonus being made in four consecutive years of insurance"*

On about 3 July 2023, the cyclist made a claim for repairs and Mr B gave Zurich details of the accident.

Zurich settled the claim from the cyclist.

Zurich instructed the broker to give notice of cancellation of the renewed policy.

With effect from 29 July 2023, Zurich cancelled the policy and made a refund of premium.

Mr B complained to Zurich that it wasn't treating him fairly.

By a final response dated late August 2023, Zurich turned down the complaint.

Mr B brought his complaint to us in mid-September 2023.

Our investigator said that some of Mr B's issues were the responsibility of his broker, so she hadn't responded to them.

Our investigator didn't recommend that the complaint (about Mr B's other issues) should be upheld. She didn't think that it was unreasonable for Zurich to take the view that they weren't

able to dispute liability. She didn't think that Zurich was unreasonable in considering and relying on the report supplied about the damage to the third party's bike. She didn't think that Zurich had acted unfairly in settling the rest of the claim for £500.00. She didn't think that Zurich had acted unreasonably in cancelling the policy.

Mr B disagreed with the investigator's opinion. He asked for an ombudsman to review the complaint. He says, in summary, that:

- The statement about not more than two claims in four years is ambiguous as Zurich do not offer insurance to someone who has two claims in the year before renewal.
- The insurance company disregarded his rights in defending the case for its benefit.

### **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.

When an insurer pays out on a claim, it's common practice for it to record a fault claim against its policyholder unless and until it recovers its outlay in full (typically from a third party). Where the insurer agrees a split of liability (e.g. 50/50), it will recover only part of its outlay, so it will record a fault claim against its policyholder.

Different insurers will assess risk in different ways at different times. In many cases, the insurer will place more weight on the existence of a claim than on the amount of the claim.

Zurich's policy terms included the following:

#### *“General Conditions*

##### *Claims handling*

- i. You must tell us without delay about any event that could lead to a claim.*
- ii. You must immediately send us unanswered any letter, claim, writ or summons you receive together with a completed accident report form.*
- iii. You must give us all the information and assistance we require to deal with the claim and you or the person driving must not accept responsibility for any claim against you or make any offer or promise to pay a claim.*
- iv. You must fully co-operate with any third party service providers we (or anyone else who acts on our behalf) may instruct in order to assist in dealing with the claim...*
- v. We are entitled to take over, defend or settle any claim under this policy in the name of you or any other person covered by this policy and we are entitled to take legal action in any such name to recover any payments we make.”*

Paragraph (i) meant that Mr B should've reported the incident to Zurich without delay.

Paragraph (v) meant that on a question of how best to deal with a claim from a third party, Zurich's view would prevail over Mr B's view. That's not an unusual term and I don't find it unfair. Nevertheless I will consider whether Zurich applied the term fairly in Mr B's case.

Zurich's policy terms also included the following:

#### *“General Conditions*

##### *Cancellation*

##### *By us*

*We or your authorised Broker have the right to cancel this policy at any time where there is a valid reason for doing so upon sending you seven days' notice in writing of*

*our decision to cancel the policy to your last known address or such e-mail address you have provided to us...*

*Valid reasons for cancellation include but are not limited to:*

*...*

- Where you have not told us about any changes to the information you provided at the time of quotation, when you took out the policy, during the policy cover or at renewal, if these changes may have resulted in an increased risk to us. Examples of such changes are listed in the General Conditions section under 'Changes in circumstances'..."*

That meant that Zurich could give seven days' notice of cancellation for any valid reason.

I accept Mr B's point that his NCB was protected so that it wouldn't be affected by two claims in any four-year period. However, that didn't mean that Zurich had to renew the policy or to do so at a premium acceptable to Mr B.

I accept that – as he'd been involved in a previous incident - Zurich wouldn't have renewed the policy if it had known at the renewal date that Mr B had been involved in the incident with the cyclist. If it had known about that incident it would've declined to renew. But it would've given Mr B evidence (to show to his next insurer) that he had seven years' NCB.

I'm satisfied that Zurich took into account Mr B's report of the incident.

However, the cyclist had made a claim and Zurich had to decide how best to deal with it.

In my view Zurich was entitled to weigh up the cost of court proceedings as well as the prospects of successfully defending the claim.

From the call recordings, I note that Zurich told Mr B that it would have to settle the cyclist's claim.

Zurich took into account a cycle repairer's estimate for putting right the damage to the bike.

Zurich decided to offer to settle the cyclist's claim at an early stage.

I'm satisfied that this was a reasonable decision in the circumstances.

So I don't find it fair and reasonable to direct Zurich to change the way it has recorded the claim against Mr B.

I wouldn't have expected Zurich's claim-handler to identify or explain to Mr B the implications of the decision on his recently-renewed policy.

I've found that Zurich wouldn't have offered renewal if it had known at the renewal date that Mr B had been involved in the incident with the cyclist. So I consider that the claim arising from that incident was a valid reason for Zurich to cancel the policy. I don't consider that Zurich treated Mr B unfairly by cancelling the renewed policy.

I'm satisfied that by a letter dated 22 July 2023, the broker said that it was giving Mr B seven days' notice of cancellation. Mr B said that he received that letter on 27 July 2023. However, I don't hold Zurich responsible for any delay in sending the letter.

I'm satisfied that Mr B knew that the Zurich policy had ended on 29 July 2023. Zurich made a refund of premium for the period from the cancellation to the date when the policy would otherwise have expired in June 2024. I also note that it waived any cancellation fee.

I accept that it took Mr B time to find a replacement taxi policy, and he ended up paying more than he'd expected.

Mr B has also told us that he is – in early 2024 - finding it difficult to find motor insurance for a private vehicle.

Nevertheless, I haven't found that Zurich treated Mr B unfairly. So I don't find it fair and reasonable to direct Zurich to do any more in response to this complaint.

### **My final decision**

For the reasons I've explained, my final decision is that I don't uphold this complaint. I don't direct Zurich Insurance plc to do any more in response to this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 1 May 2024.

Christopher Gilbert

**Ombudsman**