

The complaint

Mr S complains Advantage Insurance Company Limited (Advantage) unfairly settled a claim by a third-party on his motor insurance policy, without giving him the opportunity to pay for the damage caused.

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

What happened

A named driver on Mr S's motor insurance policy damaged a third-party car whilst parking. The third-party got in touch and Mr S accepted responsibility that the damage was caused by a named driver on his policy and said he would pay for the repairs.

The third-party contacted Advantage to make a claim on Mr S's policy. Mr S said he wanted to settle the third-party's costs rather than make a claim on the policy.

Advantage said it would make Mr S aware of the costs so he could look to reimburse them amount claimed in order to protect his no claims discount.

Advantage settled the third-party costs and the claim was closed.

Mr S said he had not been given the opportunity to settle this claim as had been previously agreed. And that Advantage had recorded a claim against him with the insurance industry despite his instruction he had no intention of making this claim.

Because Mr S was not happy with Advantage, he brought the complaint to our service.

Our investigator upheld the complaint. They looked into the case and said he was not persuaded that Advantage had agreed not to put the claim through the policy. However they thought Advantage should pay him £100 compensation for the loss of expectation, distress and inconvenience caused as a result of not being clear with what it was offering and the lack of claim updates.

As Mr S 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.

The incident happened on 1 August 2023. On 11 August 2023 Mr S became aware that the third-party had made a claim on his motor insurance policy he contacted Advantage and

accepted liability for the damage caused. He said *he would settle the costs rather than make a claim on the policy, assuming the costs were reasonable.*

Mr S said Advantage told him in writing that it would allow him to settle the third-party costs *without making a claim.* I understand Mr S said he had no intention of making this claim.

However the claim was made by the third-party and not Mr S.

When a third-party makes a claim on an insurance policy it is the duty of the insurer to look into the claim. A record of this incident would be made by Advantage regardless of a claim being made or not. And it would still be declarable by Mr S if asked on an application for insurance.

I saw that Advantage told him it had only received allegations from the third-party when he made contact and was awaiting their final costs. It said it would be able to *make him aware of the costs once received and he could look to reimburse the amount claimed in order to protect his no claims discount.*

I have not seen any evidence that Advantage said it would allow him to settle the third-party costs without a claim being made because it is not possible for a claim not to be recorded in these circumstances.

I do think Advantage could have been clearer to Mr S that even if he paid the costs to protect his no claims discount that a claim would still be recorded because a claim had been made.

Mr S said he heard no more from Advantage on the matter after 11 August 2023 but after making an enquiry about policy premium increases on 8 November 2023, he found that the claim had been settled and the claim closed.

Advantage said it did not contact Mr S to inform him of the third-party claim costs and to give him the opportunity to settle the amount himself, because it is not standard practice for a policyholder to reimburse claim costs. It said the purpose of insurance is to cover the cost of a claim and therefore when the claim was closed the cost was not included within the closure email to Mr S.

Although I agree it is not standard practice for a policy holder to reimburse claim costs, Advantage did say in previous correspondence to Mr S that it would be able to make him aware of the costs once received, and it did not do this. I did not see any evidence of updates to Mr S during the claim process.

In this case I think Advantage fairly recorded the claim from the third-party. The time taken to complete this claim was approximately three months and this is a reasonable timescale in the circumstances. However as I think Advantage could have been clearer to Mr S about the claim process after the claim was made by the third-party, it should pay him £100 compensation for the distress caused by its lack of updates and clarity.

Advantage should give Mr S the opportunity to settle the claim costs, and if he chooses to do so, should then adjust his no claims record accordingly.

Therefore, I uphold Mr S's complaint and require Advantage to pay him £100 compensation for the loss of expectation regarding the third-party claim made on his motor insurance policy.

My final decision

For the reasons I have given I uphold this complaint.

I require Advantage Insurance Company Limited to pay Mr S £100 for the loss of expectation regarding the third-party claim made on his motor insurance policy.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 25 April 2024.

Sally-Ann Harding
Ombudsman