

The complaint

Mr I complains that Aviva Insurance Limited ('Aviva') did not fairly settle a claim made on his motor insurance policy after an accident.

What happened

Mr I had a fully comprehensive motor insurance policy with Aviva.

In November 2022, a named driver on Mr I's policy was involved in an accident. Mr I says the accident was minor with no injuries sustained and only minor damage to a third-party's vehicle.

Mr I said he provided information to Aviva about the accident when requested but that Aviva settled the third-party's claim without telling him. Mr I did not think Aviva should have paid compensation to the third-party for a personal injury. He complained to Aviva and it accepted it hadn't told him about how it had settled the personal injury claim. It offered to pay £100 to compensate Mr I for that.

Mr I did not accept Aviva's offer of compensation. He was upset that his no claims discount had reduced and said this had significantly impacted his finances. He said if Aviva had been in touch with him, he could have explained that the third party left the scene of the accident laughing, smiling and uninjured. Mr I said he could have obtained legal advice to counter the claim that the third-party had been injured.

Mr I complained to the Financial Ombudsman Service. Aviva said that Mr I had accepted the named driver was at fault and it then accepted liability for the accident. In respect of the personal injury claim, as liability for the accident had been accepted, Aviva said it paid compensation for the personal injury after medical evidence had been provided. Aviva accepted that it didn't tell Mr I about its decision to settle the third party's personal injury claim and so it offered to pay him £100.

Our investigator considered the matter. She thought that Aviva's offer to pay £100 to Mr I was fair. She said she had seen medical evidence to show that the third-party's injuries were attributable to the accident. In addition to that, she said that as Aviva had not been able to recover its costs from the third-party, the accident was correctly recorded as a 'fault' claim. That meant it was fair for Aviva to reduce Mr I's no-claims discount.

Mr I did not accept our investigator's view. He said he wanted the opportunity to make representations to Aviva before it settled the claim. As Mr I did not agree with our investigator, the matter has now been passed to me for an ombudsman's 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 appreciate my decision will come as a disappointment to Mr I, but I agree with our investigator that Aviva's offer of £100 compensation is fair. I'll explain why.

The terms and conditions that apply to Mr I's policy say that where there is an accident with a third-party, Aviva will manage the third-party's claim including handling any personal injury claim. The terms and conditions also say that Aviva will have full discretion in the conduct of any proceedings or the settlement of any claim.

Looking at the file, it seems to me that the basis of Mr I's complaint is that his premium had increased, and he couldn't get cheaper insurance elsewhere after the accident. That seems to be because his no-claims discount had been reduced to three years.

As a claim was made on Mr I's motor insurance policy and Aviva couldn't recover its costs from the third-party, the claim would have been recorded as a 'fault' claim. Costs can include any money Aviva paid in respect of an injury to a third party but would also include what Aviva had to pay to repair the third-party's car. In this case, the named driver accepted responsibility for the accident. I understand Mr I also accepted there was a minor dent to the third party's vehicle. In those circumstances, Aviva would have incurred costs to put that minor dent right. With all of this in mind, it was fair for Aviva to record this as a 'fault' claim.

What that means in practice is that Mr I's no-claims discount would have been affected and his premiums higher because Aviva had to pay to fix the third-party's car. It would have been a 'fault' claim (and the no-claims discount would have been affected) regardless of whether the third-party had made a claim for personal injury.

Mr I clearly does not accept that the third-party was injured. He feels strongly that the named driver would have been able to verify whether the third party had sustained an injury if he'd been given the chance to make further representations. He says he would have engaged solicitors to deal with the matter so that the financial impact on him was reduced.

However, I can see that when it settled the claim, Aviva had Mr I's representations dated 10 January 2023 in which he set out his belief that the third-party was not injured. It also had evidence from a medical professional stating that the third-party had moderate musculoskeletal pain arising from the accident. After taking account of that evidence, I am satisfied that it was reasonable for Aviva to settle the claim in the way that it did.

I recognise Mr I wanted the opportunity to make further representations to Aviva. He says this is so he could have reduced the financial impact of his premiums rising because of the reduction in the no-claims discount. But I don't think further representations would have reduced the financial impact on Mr I's premiums in the way he believes. That's because the accident would have affected his no-claims discount irrespective of the personal injury claim. It would have been a 'fault' claim due to the damage to the third party's vehicle that Aviva had to pay to fix.

Aviva accepts that it should have told Mr I how it had dealt with the third-party's claim and it offered to pay him £100 to compensate him for that. I agree that Aviva should have kept Mr I up to date and that its offer of £100 is fair to compensate him for that mistake.

Putting things right

I understand that Aviva has not yet paid compensation to Mr I. If it has not done so already, Aviva will need to pay £100 to Mr I as offered in its final response letter dated 11 October 2023.

My final decision

The offer made by Aviva Insurance Limited to Mr I is fair. If it has not done so already, it must take action to put things right as I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 24 April 2024.

Nicola Bowes
Ombudsman