

The complaint

Mr B complains that Advantage Insurance Company Limited inaccurately recorded information about an incident involving his vehicle on a central database. Mr B says this meant he was charged a higher premium when he took out a motor insurance policy elsewhere.

Advantage is the underwriter of this policy i.e. the insurer. Part of this complaint concerns the actions of its agents. As Advantage has accepted it is accountable for the actions of the agents, in my decision, any reference to Advantage includes the actions of the agents.

What happened

In September 2022, Mr B's car was damaged when a van reversed into it while it was parked outside his home. The employer of the van driver took responsibility for the incident and Mr B's car was repaired. Mr B told Advantage what had happened, but he said he didn't want to make a claim because he was happy with how the third party was dealing with it.

In February 2023, Mr B received his motor insurance renewal documents from Advantage and found that his premium had increased significantly. The documents said a claim had been made on his policy and that might have affected the renewal price.

Mr B raised a complaint with Advantage because he believed it had incorrectly recorded a claim against his policy. He decided not to go ahead with the renewal and applied for a policy with another insurer. During the application process, the new insurer told Mr B that an incident had been recorded on a central database. This resulted in the premium quote increasing by over £100.

In response to Mr B's complaint, Advantage said it understood it felt unfair that an incident Mr B wasn't to blame for could increase the price of his insurance at renewal. But it said that all claims regardless of fault can increase the likelihood that another claim will be made, which is why the policy price can increase.

Mr B remained unhappy and asked our service to consider the matter. Our investigator didn't initially think that Mr B's complaint should be upheld but Mr B disagreed. So, she asked Advantage for some further information.

Advantage said the claim was closed as notification only on its system. However, it had checked the Claims and Underwriting Exchange (CUE) database and the claim was noted as settled and not notification only. Advantage said that in order to say Mr B's complaint should be upheld, he would have to have been impacted by this. It asked if Mr B had declared the incident to his new insurer and if so, how. It said if the change had made a difference, Mr B should be able to get a refund from the new insurer for the difference in how the claim was reflected.

Our investigator asked Mr B and his new insurer for some further information. We received Mr B's policy documents and a recording of the sales call with the new insurer. These were shared with Advantage.

Advantage said it needed to understand the impact on Mr B before agreeing to make an offer of compensation. It asked what the premium difference was after the claim was corrected, if any.

Our investigator issued another outcome to the complaint. She recommended Advantage pay Mr B £300 for distress and inconvenience. She felt Mr B had been impacted by Advantage's mistake in incorrectly recording the incident as he'd needed to spend time and effort getting the information updated on CUE.

Advantage disagreed with our investigator's outcome. It said our investigator had been unable to evidence any loss. It agreed a mistake had been made, but it felt it had made a reasonable request to understand the impact.

I issued a provisional decision on 27 March 2024 where I explained why I didn't intend to uphold Mr B's complaint. In that decision I said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Based on what I've seen so far, I don't intend to uphold Mr B's complaint. I'll explain why.

The policy's terms and conditions required Mr B to tell Advantage about any incidents involving his vehicle even if he didn't want to make a claim. And Advantage has an obligation to ensure that incidents are recorded correctly because this can affect a policyholder's premiums.

Advantage says it recorded the incident as "notification only" on its internal systems when Mr B told it what had happened in September 2022.

However, in July 2023, it told us it had incorrectly recorded the incident on CUE as "settled" rather than as "notification only" and had corrected this. It said it would need to understand how Mr B had been impacted by this error before it could consider upholding his complaint.

The information I've seen shows that the incident was initially recorded as "closed settled" with "no payment made". "Allowed" is next to "NCD Indicator" to reflect that Mr B's no claims discount was unaffected.

I've listened to a recording of the conversation Mr B had when he took out his policy with his new insurer. It seems that Mr B had tried to take the insurance out through a comparison website and had received a quote, but he needed to call the insurer to complete his application. The adviser asked Mr B if he'd had any claims or incidents in the last three years involving other drivers, and he explained what had happened in September 2022.

The adviser said he thought that was the reason Mr B's online application wasn't going through. He said the accident was a rating factor. Mr B questioned why that would affect him under the circumstances. He said his car was stationary when the other vehicle backed into it. The adviser said it would still be a rating factor as accidents tended to reoccur in a three year cycle which was why insurers tend to rate on it. He went on to give Mr B a revised premium quote which was around £100 higher than the one he'd received online.

The adviser told Mr B that the incident was flagged on a central database. He also said he thought what Advantage had done was accurate. Mr B disagreed and said he would take his complaint against Advantage to the Financial Ombudsman Service.

The documentation Mr B received from the new insurer when he took out his policy includes the question:

“Claims: Have you or any driver had any accidents, incidents, thefts or losses, or made any claims (Fault or Non Fault) during the past 3 years other than those listed?”

Below this, the September 2022 incident is listed under “Claims (within the last 3 years)” with costs showing as £0.00 and the description “Damage to your vehicle only”.

Mr B was required to give accurate answers to questions asked by his new insurer when he took out his policy with it. So, he needed to tell it about any accidents or incidents that had happened over the last three years, regardless of whether or not he’d made a claim.

Mr B’s new insurer has told us that Mr B’s policy cost would have remained unchanged had the incident in question been noted as notification only, rather than a non-fault claim. It says for external incidents/claims only the date, fault status, driver involved and claim cost are factors it uses when pricing its customers and so amending this detail would not have caused a change in premium.

I think it’s clear from the policy documents that the new insurer was aware that Advantage hadn’t had to pay out anything in relation to the incident that had happened in September 2022. The new insurer has also confirmed that the way Advantage initially recorded the incident on CUE didn’t make a difference to the premium it charged Mr B. It’s not unusual for insurers to treat a settled – no payment entry on CUE in the same way as a notification only claim when setting the price of a policy. So, I’m not persuaded that Advantage’s recording of the incident had any impact on the premium Mr B was charged by his new insurer.

I think it’s likely that if Advantage had recorded the incident as notification only on CUE, it still would have flagged up to the new insurer when Mr B applied for his policy. Based on what I’ve seen, I think Mr B would likely have been charged the same premium he was charged. And, having listened to his call with the new insurer, I think Mr B would still have been unhappy about this and brought his complaint to our service.

I fully appreciate that Mr B feels it’s unfair for his insurance premiums to be affected by an incident he was in no way responsible for. However, as both Advantage and his new insurer explained to him, any incident is likely to affect future premiums, regardless of who was at fault. This is because there is an increased likelihood that another incident may happen in the next few years, which may result in a claim. Insurers always rate a policy against different risks and it’s not unusual for incident categorisation to feature as part of their pricing model.

I know my answer will be disappointing for Mr B, but it wouldn’t be fair for me to tell Advantage to compensate him for an administrative error that doesn’t appear to have had any impact on him.”

I gave both parties the opportunity to send me any further information or comments they wanted me to consider before I issued my final decision.

Responses

Neither party provided any further information or comments for me to consider.

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.

As neither party has provided anything further, I see no reason to change the conclusions I reached in my provisional decision.

My final decision

For the reasons I've explained, I don't uphold Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 9 May 2024.

Anne Muscroft
Ombudsman