

The complaint

Mr E complains that Aviva Insurance Limited recorded a theft claim on his motor insurance policy as a fault. He's also unhappy that he couldn't buy back the car and that his premiums increased at renewal.

What happened

Mr E's car was stolen, and he made a claim on his policy. Aviva settled the claim. Mr E's car was later recovered, and Aviva sent it for auction. Mr E was unhappy that Aviva said he couldn't buy back the car but would have to bid for it at auction. He was unhappy that the claim was recorded as fault as he wasn't to blame for the theft. And he was unhappy that when his policy was renewed, the quoted premium had increased by half over the previous year's.

Our Investigator didn't recommend that the complaint should be upheld. He thought that once Mr E's claim had been settled, then Aviva became owner of the car's salvage. So it didn't have to sell the car back to Mr E. He thought the claim was correctly recorded as fault as Aviva hadn't been able to recover all its outlay. And he thought the claim and national and industry circumstances would lead to an increase in premium.

Mr E replied that he thought Aviva had recovered its outlay by selling his car at auction and so the claim shouldn't be recorded as fault. He thought Aviva should have given him priority at the auction rather than selling to the highest bidder. Mr E asked for an Ombudsman's review, so his complaint has come to me for a final 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 can understand that Mr E feels frustrated that he has a fault recorded against him when he wasn't to blame for the theft of his car. And I can see that he's concerned about the effect this has had on his premium at renewal.

But, as our Investigator has explained a "fault" recorded following a claim doesn't mean that Mr E was to blame for the loss of his car. What it means is that Aviva was unable to recover its outlay for the claim from another party. Aviva couldn't make a recovery from the thief, so it recorded a fault against Mr E. This is standard industry practice and, although I can understand that Mr E feels this is unfair, I can't say that Aviva did anything wrong in this.

Mr E thought the sale of the car at auction would cover Aviva's outlay. But I disagree as Aviva needs to recover not just its settlement to Mr E, which was much more than the auction amount, but its other claim costs. So I can't say this is a reason to change the claim to non-fault.

Mr E said he asked to buy back the car after it was recovered, but Aviva declined this. It said Mr E would have to bid for it at auction. When a car is deemed a total loss under a motor insurance policy, as Mr E's car was, the insurer, in this case Aviva, becomes the owner of the salvage after the consumer accepts payment of the car's full market value.

And as Mr E had accepted Aviva's settlement offer, then Aviva owned the car's salvage. So I can't say that Aviva did anything wrong in telling Mr E that he would have to compete at auction to buy back the car.

Mr E said his premium had increased at renewal because of the fault claim. While some insurers will only rate on "fault" claims, others will consider any claim – or even just a claim notification – as a "risk factor". This is because insurers say that drivers who have been involved in incidents, regardless of fault, are more likely to be involved in future claims.

It's not our role to tell an insurer how to price their policies or what factors they should consider when calculating a risk. I understand that there have been increases in costs across the sector. And I think it's not unusual for a premium to increase following a fault claim. I can't see that Mr E has been treated any differently to other consumers, and so I can't say that Aviva acted unfairly or unreasonably in increasing his premium at renewal.

My final decision

For the reasons given above, my final decision is that I don't uphold this complaint.

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

Phillip Berechree
Ombudsman