

The complaint

Miss C complains that Tradex Insurance Company PLC is responsible for mishandling a claim on her motor insurance policy.

What happened

The subject matter of the insurance, the claim and the complaint is a sports coupe car, made by a premium-brand manufacturer with a powerful petrol engine and first registered in about 2016.

Miss C acquired the car in 2021.

For the year from 1 May 2023, Miss C used a broker to insure the car on a policy with Tradex. She paid about £1,300.00. That was based on six years' no-claims discount ("NCD").

Unfortunately, Miss C reported that in mid- August 2023, a third party's vehicle had hit the driver's side of her car on a roundabout. Tradex arranged repair of Miss C's car.

In April 2024, the broker sent Miss C a renewal invitation, quoting a cost of about £3,700.00 for the year from May 2024.

Miss C complained to the broker. She also complained to Tradex about poor communication, delay in settlement of the claim, incorrect NCD and increased premium.

By a final response dated 2 May 2024, the broker turned down the complaint. It said the policy had expired and lapsed.

Miss C took out a new policy (through the broker and again with Tradex) at a cost of about £6,000.00.. That was based on six years' NCD.

By a final response dated 20 June 2024, Tradex upheld the complaint regarding communication. It said it was sending a cheque for £100.00 compensation.

Miss C asked us to investigate.

Our investigator recommended that the complaint should be upheld in part. He thought that Miss C had to do all the chasing and was completely oblivious that liability was in dispute. He didn't think that £100.00 was enough compensation. He recommended that Tradex should pay an additional £100.00 for the stress and inconvenience caused.

Miss C disagreed with the investigator's opinion in part. She asked for an ombudsman to review the complaint. She says, in summary, that:

- Given the significant impact this entire process has had on her life, this complaint warrants compensation at the higher end of the 'award of up to £300.00' tier.

- The ordeal coincided with her final year university exams.
- From the time she received her renewal premium until the renewal date, she was involved in numerous phone calls and extensive follow-up efforts to resolve the issue. During this time, she was unsure if she could afford the insurance, which required her to explore alternative arrangements for her obligations, including for family members.
- The financial strain of paying the inflated premium impacted her ability to maintain essential aspects of her usual quality of life, such as my gym membership and other necessities.
- Tradex only mentioned providing a letter to the broker, for recalculating premiums, without clarifying that she could obtain a return premium through a different insurer.

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 Financial Ombudsman Service is bound by the Financial Conduct Authority's dispute resolution rules. One of those rules is that, before we can investigate a complaint, the consumer must first have made that complaint to the regulated firm and waited for up to eight weeks for a final response. It follows that we can investigate a complaint which is made before any final response.

In Miss C's case, I'm looking at the complaint that she made before Tradex's final response dated 20 June 2024. I won't include in this final decision any complaint about Tradex's acts or omissions after that date.

Where an insurer has made an outlay on a policyholder's claim, it's common practice for the insurer to treat it as an open claim or a fault claim unless and until the insurer recovers its outlay in full, typically from a third party.

Any claim is likely to increase the cost of insurance from the next renewal. That applies even if the policyholder still has a similar NCD.

The accident, the injury and the need to make a claim were, in my view, bound to cause Miss C upset and inconvenience. That included providing information about the accident.

I've seen that Tradex took steps to recover its outlay from the third party. However, the third party did not respond promptly. I've noted that Miss C and the third party each made a personal injury claim against the other.

Miss C complained to Tradex when she received the quote for renewal from May 2024. I don't find Tradex responsible for the fact that the claim was open and unresolved at that time.

At that time (and when it sent its final response) Tradex was still investigating and it hadn't made a decision about liability. So I don't find it fair and reasonable – in response to this complaint - to direct Tradex to treat the claim as anything other than an open claim.

On about 18 April 2024, the third party's insurer disputed liability for Tradex's outlay.

Miss C asked for a 30-day extension of her policy. In its final response Tradex apologised for some shortcomings in its communication about this. However, I don't find that Tradex treated Miss C unfairly by not extending the policy.

Miss C had a choice whether or not to renew the policy from May 2024. I consider that she let it lapse.

Miss C then took out a new policy through the same broker and again with Tradex. From what I've seen, the Tradex policy for the year from May 2024 was based on six years' NCD which was "protected". So I don't consider that Tradex treated Miss C unfairly in relation to NCD.

As she was using a broker, I don't hold Tradex responsible for not fully explaining her options for getting insurance from May 2024, including her opportunity for a later adjustment if Tradex recovered its outlay from the third party. Miss C agreed to pay the higher premium (and she hasn't shown that she could've got insurance elsewhere any cheaper).

I accept that Tradex treated Miss C in the same way that it would've treated any other consumer with the same details, including an open claim. So, I don't consider that Tradex treated Miss C unfairly by its premium. And I don't find it fair to direct Tradex to pay compensation for Miss C's extra cost of insuring her car for the year from May 2024.

Miss C chose to pay for the new policy by instalments. So she entered into an agreement with a provider of credit. I don't hold Tradex responsible for the credit provider's credit search, or any consequences on Miss C's credit score.

Nevertheless, Tradex admitted some shortcomings in its communication. And I find that this included leaving Miss C to chase it for information about the claim and relevant to the renewal.

Putting things right

I've thought about the impact on Miss C of those shortcomings (rather than of the whole process of a claim involving a third party). I accept that the impact on Miss C came at an already difficult time for her. And it aggravated her uncertainty whether she could afford to continue to insure and drive her car, including for the benefit of other family members.

Overall, I agree with the investigator that, in addition to its previous payment, a further £100.00 for distress and inconvenience is fair and reasonable. That is in line with the Financial Conduct Authority's rules and our published guidelines on compensation for distress and inconvenience.

My final decision

For the reasons I've explained, my final decision is that I uphold this complaint in part. I direct Tradex Insurance Company PLC to pay Miss C, in addition to its previous payment, a further £100.00 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 11 November 2024.

Christopher Gilbert

Ombudsman