

The complaint

Mr S complains about the amount Ageas Insurance Limited paid to settle a third party claim made against his motor insurance policy.

What happened

In October 2022 Mr S drove into a third party's car whilst it was parked. Mr S left a note and didn't dispute liability, but he told Ageas there was pre-existing damage to the third party's car. Shortly after, Ageas wrote to the third party's insurer saying it accepted liability, but that Mr S had informed it he hadn't impacted the near side of the third party's vehicle and this area had pre-existing damage.

Although Ageas initially attempted to negotiate a reduced settlement to the third party claim, it ultimately decided to settle it in full.

After receiving his renewal in January 2024, and noticing the amount Ageas had paid for the third party claim, Mr S complained that Ageas had paid too much for the claim.

Ageas provided a final response in March 2024 in which it said it didn't fully complete its investigations and didn't carry out a consistency report at the time it paid the third party claim. It also said after Mr S complained, its engineer conducted a consistency report finding that the damage to the third party's car was consistent with Mr S's report of the damage.

Although Ageas upheld Mr S's complaint, it didn't offer any redress.

Our investigator thought Ageas had acted unfairly by not completing the consistency report before settling the third party claim. So she said it should pay Mr S £150 compensation for the distress caused.

Ageas agreed, but Mr S did not. So, the complaint was referred to me to decide.

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.

Having done so, I've decided to uphold the complaint. I'll explain why.

I've begun by reviewing the policy terms and conditions. The terms say Ageas may defend or settle any claim in the policyholder's name. Motor insurance policies typically contain terms like these, which give insurers discretion to decide if they'll settle third party claims. So, I'm satisfied Ageas had the right under the policy terms to settle the third party claim, and its right to do so was in line with industry standards.

Although the policy terms give Ageas the discretion to settle third party claims, it must exercise that discretion in a fair and reasonable way. So, I've considered if it did so here.

Ageas initially acted on Mr S's comments that the third party's vehicle had pre-existing damage. In the letter it sent to the third party's insurer shortly after incident, it said it had been informed about pre-existing damage to the third party's car. And it said it would dispute any unrelated damage. It followed up by requesting further information from the third party insurer about the damage.

I can see at first Ageas deducted from the settlement some costs the third party's insurer requested. But after the third party's insurer challenged these deductions, Ageas agreed to pay them. And none of the deductions Ageas initially applied related to the cost of repairing damage to the third party's car that it didn't think was related to the accident.

Ageas accepted in its final response it paid out to the third party's insurer's before completing its consistency report. Since Mr S raised concerns at the outset there was pre-existing damage to the third party's vehicle, I think Ageas should have completed the consistency report before settling the third party's insurer's claim in full. And I think it was unfair to Mr S it did not, as it caused a loss of expectation.

But I'm not persuaded there was any material impact to Mr S by Ageas settling the third party's claim. It's not disputed that Mr S drove into the third party's parked car damaging it in the process. So, Ageas were always going to have to pay something. And because of this, I think it was unavoidable for a fault claim to have been recorded against Mr S's policy.

I acknowledge Mr S's strength of feeling that the cost of the claim should have been less. But that would have been dependent upon the third party's insurer agreeing to a reduced settlement – which would have been outside Ageas's direct control. And if the third party's insurer didn't agree to a reduced settlement, Ageas would then have had to decide between settling the claim, or litigating.

Ageas would have had the right to decide if it would litigate or settle. And in reaching that decision – like any other insurer which found itself in that position - it would have needed to weigh up its prospects of success and whether the cost of litigation relative to the costs involved in the claim meant litigation was worth pursuing. But for the costs involved, I don't consider it likely Ageas would have decided to litigate.

So, in the circumstances, I don't think it was unfair for Ageas to record the claim in the way that it did. Ultimately, this was an accurate reflection of the claim which Ageas had paid. However, I think Ageas caused some distress to Mr S by not doing enough before settling the claim to assess if the damage the third party was claiming for was consistent with the accident. But I think if it had, Mr S would likely still be in the same position. So, I think £150 compensation to recognise the distress caused to Mr S is a fair and reasonable way to put things right.

Putting things right

I require Ageas to pay Mr S £150 compensation.

I note Mr S says he previously received this payment, but that he returned it. So, Ageas should reissue this payment if it's satisfied it wasn't cashed.

My final decision

My final decision is that I uphold this complaint and I require Ageas Insurance Limited carry out what I've set out in the 'Putting things right' section of this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 8 January 2025.

Daniel Tinkler
Ombudsman