

## **The complaint**

Mr E complains about the handling of a claim he made to Liverpool Victoria Insurance Limited (LV) and the increase it applied to his premium, under his motor insurance policy.

## **What happened**

Mr E's car was hit by a lorry in July 2023 whilst it was parked. He made a claim to LV. It arranged for a credit hire company (CHC) to deal with the claim, as Mr E was thought not to be at fault. The CHC concluded Mr E's car was beyond economical repair. Mr E wasn't satisfied with the valuation it placed on his car. Because of this and in order to receive payment more promptly he asked for the matter to be dealt with by LV directly.

Mr E describes spending a lot of time making calls to various organisations involved in the claim. He says there were delays in LV responding and he found the process to be chaotic.

Mr E says he bought a replacement car, and this was added to his existing insurance, with an additional premium. At renewal in October 2023, he says his premium was increased significantly to over £1,200 from around £400 for the previous year. It was later reduced down to £966 when the claim was closed as non-fault. Mr E says this still represents a significant increase.

In its final complaint response dated 1 December 2023 LV told Mr E that as his claim was still open this could impact on his renewal premium. This is because it was unable to quantify the cost of the claim. This response was sent prior to the claim being closed.

In its submissions to our service LV acknowledges that it didn't respond to the service issues and concerns about delays that Mr E had raised in his complaint. It acknowledged this was an oversight on its part.

Mr E didn't think LV had treated him fairly and referred the matter to our service. Our investigator upheld his complaint. He thought the standard of communication from LV to Mr E was poor. To acknowledge the frustration and distress Mr E experienced, he says LV should pay him £150 compensation. Our investigator didn't think the business had shown Mr E was treated fairly with respect to his premium. To put this right, he says it should reduce his current premium to £501.26 and pay 8% simple interest on the refund part of this. He based this on a calculation using the limited underwriting information LV provided.

LV didn't agree with our investigator's findings. It says it had shown the impact of the claim on Mr E's premium. The remaining increase was applied by his insurance broker. It says it's unable to get hold of the information to show how this was calculated.

As an agreement wasn't reached the matter had been passed to me to decide.

I issued a provisional decision in October 2024 explaining that I was intending to uphold Mr E's complaint. Here's what I said:

*provisional findings*

*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'm upholding this complaint. My findings are similar to our investigators but with different reasoning. Let me explain.*

*premium increase*

*It's not the role of our service to tell LV what it should charge for its insurance cover. This is a commercial decision for it to make based on its established underwriting criteria. We don't get involved in how it establishes these criteria. But we can look to see that it treated Mr E fairly. By this I mean it should apply the same criteria it would for any customer in the same circumstances. I've focused on that here.*

*Mr E bought a replacement car and added it to his existing policy with LV on 28 July 2023. Based on the information provided by his broker this resulted in an additional premium of £14.23 along with an administration fee for £25. I can see that the administration charge is confirmed in his policy booklet.*

*The documentation Mr E has sent, received prior to his renewal on 5 October 2023, confirms his annual premium is increasing to £1,287.69. In its submissions to our service LV says the premium at the renewal invite stage, in August, was calculated with the recent claim still being open. Once this was closed, with Mr E not at fault, the premium was re-calculated to £966.95. This was on 27 September. However, I note Mr E says he received three different renewal quotations for varying amounts, which was confusing.*

*We asked LV to provide underwriting information to show how it calculated Mr E's premium. This information is considered commercially sensitive so I can't share it. However, I'm satisfied that it shows the impact of the claim on Mr E's premium. When the claim was recorded as him being at-fault, and then when it was changed to non-fault. I'm satisfied that this information shows LV used its established underwriting criteria for the increase due to the claim. But this doesn't show how the remaining part of the premium increase was calculated. LV refers to this as an overall rate increase. As our investigator pointed out, around £280 of the increase in premium hasn't clearly been supported by the information LV provided.*

*LV says Mr E's policy is broker led meaning the broker calculates the risk and the premiums quoted. It says it has no involvement in this. I acknowledge what it says but the broker's involvement is based on delegated authority. LV is the insurer and only it has the permission to carry out the regulated activity of effecting a contract of insurance. There's an internal agreement between LV and the broker for it to obtain the renewal price and communicate this to Mr E. But LV is still responsible for the premium and ensuring Mr E is treated fairly.*

*We asked LV for it to provide the missing information to explain the non-claim related increase in Mr E's premium. But it wasn't able to.*

*LV hasn't provided me with sufficient evidence for me to reassure Mr E that it's treated him fairly. In these circumstances our established approach is to require LV to pay compensation. Because I don't know if it treated him fairly or not I think it's reasonable that LV should compensate Mr E for the impact this had on him. I think £200 is fair. I note that Mr E's broker confirmed he could cancel his policy without a cancellation fee, and only pay for his time on cover. In these circumstances I think this is reasonable.*

*claim handling*

*Mr E told his broker he wanted LV to handle his claim instead of the CHC. This was on 27 July 2023. LV received this instruction on 31 July. It wasn't initially known where Mr E's car was. I can see that Mr E called in, once he'd found this out, to let LV know and to express his frustration that LV hadn't been informed of this sooner.*

*A record dated 7 August 2023 indicates there was some difficulty in LV getting through to the salvage company, where it was thought Mr E's car was located. It was subsequently found to be with the CHC. This was discovered later on 7 August. Transport was then arranged so LV's engineer could assess the car. The notes show a valuation was agreed and a settlement payment raised on 14 August.*

*Overall, I don't think two weeks is unreasonable for LV to have assessed Mr E's car, value it, and pay him a settlement. The claim was initially being dealt with by the CHC. This company is separate to LV. Any issues Mr E has with its handling can be put to the CHC directly. However, it's unlikely we can consider the matter if he's unhappy with its final response.*

*From the records LV told Mr E the claim had now been closed when he called on 20 September 2023. He was told to speak to his broker. However, the claim was still open, and as discussed it was impacting on Mr E's renewal premium. A note dated 26 September indicates that LV hadn't yet attempted to recover its costs from the third-party insurer (TPI). LV contacted the TPI that day. I can see Mr E called LV twice more looking for an update. His broker also called for an update, presumably directed by Mr E. He called LV again on 4 December and was told the TPI had paid the claim costs and it was now closed.*

*LV was aware of the impact the open claim was having on Mr E's renewal premium. He clearly wanted the matter resolving and was frustrated with the service he'd received. I think LV could've contacted Mr E proactively to ensure he was kept up to date. Even if there was no update from the TPI, a courtesy call would've gone some way to assure Mr E that the matter was in hand. Given the delay in contacting the TPI of its outlay and the lack of helpful communication, I think LV should compensate Mr E for the distress and inconvenience this caused him. I agree with our investigator that £150 is fair.*

*I said I was intending to uphold Mr E's complaint and LV should pay him £150 compensation for the issues with its claim handling, and £200 as it hasn't shown it calculated his premium fairly.*

*I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.*

*Mr E responded to say he was happy with the £150 compensation award. But he maintains that the premium increase was unfair. He says he hasn't had any claims or accidents in ten years. Mr E asks if it's possible to increase the £200 payment I set out in my provisional decision. He says he will then accept the outcome.*

*LV responded to say it disagrees with paying Mr E £200 compensation. It reiterates that the policy is broker led, meaning the broker is responsible for complaints relating to the premiums. It says it has contacted the broker for information regarding the premium but has yet to receive a response.*

*LV says its underwriters have been able to provide some additional information. It refers to the change of vehicle processed in July 2023. It says this generated an additional premium of £14.23 (gross) at the time. LV says this suggests that an increase at renewal, compared to the previous year's inception premium, would be correct. It also says the main reason for a premium change for a change of vehicle would be due to the purchase date. In this case it*

says Mr E would have lost a discount for length of ownership/experience with the vehicle. LV says another rating factor would be the change in the value of the vehicle, as the new one was more expensive.

### **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've thought about Mr E's comments that he's paying a much higher premium, and that this isn't offset in full by the £200 compensation I set out in my provisional decision. However, in my provisional decision I explained that our established approach is for LV to pay compensation in these circumstances. This is because LV hasn't provided enough information for me to be able to reassure Mr E that it treated him fairly. So, the compensation payment is intended to acknowledge the impact this had on him. I'm not asking LV to refund the premium increase, as I don't have information that shows this was calculated incorrectly. So, although I've considered Mr E's further comments, I still think my provisional findings represent a fair outcome here.

I acknowledge what LV says about the role of the broker. But I addressed this in my provisional decision to say LV is responsible for the level at which Mr E's premium is set, and to ensure he's treated fairly. The business hasn't been able to provide underwriting information to definitively show that the premium was calculated fairly. I note its comments that the value of the vehicle and length of ownership would likely be factors in the premium calculations. But again, I can't be satisfied from this that it's shown Mr E has been treated fairly. I haven't received any information from the broker to show how the premium was calculated. So, based on the evidence I've seen, and having considered LV's further comments, I'm not persuaded that a change to my provisional findings is warranted.

### **My final decision**

For the reasons I've given above and in my provisional decision, my final decision is that I uphold Mr E's complaint. Liverpool Victoria Insurance Company Limited should:

- pay Mr E £200 as it hasn't shown it treated him fairly when calculating his premiums, and for the impact this has had; and
- pay Mr E £150 for the distress and inconvenience caused by its claim handling.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 5 December 2024.

Mike Waldron  
**Ombudsman**