

The complaint

Mr S complains that Accredited Insurance (Europe) Ltd (AI) paid out on a claim to a third-party for an incident he says didn't happen. References to AI include other organisations and individuals acting on its behalf.

What happened

Another driver made a claim against Mr S's insurance, saying he was responsible for a collision which damaged their car.

AI contacted Mr S about the claim, but at first he wouldn't discuss it as he didn't recognise the name AI and thought his insurance was in the name of his broker. After a couple of weeks, Mr S realised AI was his insurer and agreed it could inspect his car, but by this time AI had paid a sum in relation to the claim.

Mr S wasn't happy about this and complained to AI. He didn't get a response so he complained to this service. Our investigator contacted AI and it then sent a response. AI said it couldn't see that it had done anything to progress Mr S's claim since his email agreeing for his car to be inspected some ten months earlier. AI said this lack of action had caused Mr S some additional distress and inconvenience and awarded him £300 compensation to make up for that.

AI didn't uphold Mr S's complaint about the payment it made to the third party, saying it made a without prejudice payment to keep the other driver's solicitors' fees down and to cover the costs of the hire car the other driver was using. AI said that making a payment on a without prejudice basis meant that if, upon conclusion of its investigations, it was found that this was genuine case of mistaken identity, it could look to recover these costs from the third-party solicitors.

Mr S wasn't happy with this response and complained to this service again. Our investigator upheld his complaint. He recommended an increase of £100 in the compensation to be paid to Mr S, to recognise the extended period of ten months that he was impacted for.

AI didn't agree with what the investigator said, so the complaint has been passed to me. Mr S wants the record of a claim against him to be removed and compensation for his trouble and upset.

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'm upholding Mr S's complaint. I'll explain why.

Firstly it's important to say that I can't look at anything that happened after 28 May 2024, the date of AI's final response to Mr S's complaint. This is because this service can only look at issues that a business has been given an opportunity to resolve. I understand that the issue

with the third party claim hadn't been resolved by this date. It is open to Mr S to make a further complaint to AI and then to this service if he isn't satisfied with AI's response.

Mr S's insurance policy documents with AI said:

"We are entitled to...take over...or settle any claim in the name of any person, company or firm insured by your policy..."

This term is commonly found in insurance policies, and is one which this service generally considers to be fair and reasonable. We do, however, still expect businesses to deal with a claim in a fair and reasonable way.

I think it was fair and reasonable for AI to make a without prejudice payment to the third party, without accepting any liability for what happened. This meant the third party wasn't building up expenses which AI would have had to pay if the claim had turned out to be valid. And AI could have looked to recover the payments if the claim turned out not to be valid.

It is usual for an insurer to record an open claim against a policyholder in circumstances like this while a third party claim is being investigated, and unfortunately this can have an effect on premiums at renewal. And in principle this service wouldn't find this to be unfair or unreasonable. However we also expect a business to make all reasonable efforts to progress matters and make a final decision on liability.

I can see that a number of different organisations tried to contact Mr S on AI's behalf about the claim. He thought that these were scam calls and refused to discuss anything. At one point AI advised him to contact his broker to verify that the calls were genuine, which he did, but the broker told him that there hadn't been a claim. Once Mr S realised the calls were genuine, he did discuss matters and agreed for his car to be inspected. However I can see why he refused to talk to organisations whose names he didn't recognise and who he thought were scam callers. I think AI could have resolved this very quickly and easily by, for example, referring Mr S to his certificate of insurance which shows AI as the insurer. Instead AI told Mr S that as he had failed to co-operate it wouldn't be indemnifying him. I can see that thinking he was the victim of a scam caused Mr S a good deal of stress.

AI accepts that once Mr S gave his permission for his car to be examined, it failed to do anything to progress matters for some ten months. And AI didn't contact Mr S with any updates during this time.

I can also see that it took AI around ten months to respond to Mr S's complaint, and it only did so after being contacted by this service several times following Mr S's complaint to us.

Mr S has told this service about the impact all this has had on him. He says his car insurance renewal quotes were extremely high due to the open claim recorded against him and he had to go without insurance for several months. Mr S says this also caused him great distress. Mr S also says the delay after he agreed to co-operate with AI caused him stress and anxiety as he thought fraud had been committed on his account as AI had paid out on a false claim and were not willing to rectify the decision.

After receiving our investigator's recommendation, AI said it thought the compensation of £300 it had already paid was in line with what this service usually recommends in such circumstances.

However our guidance says that an award between £100 and £300 might be suitable where there have been repeated small errors, or a larger single mistake, requiring a reasonable effort to sort out. Typically, the business's actions could have resulted in some acute stress

lasting hours at the lower end – or a have had a milder impact across a few days, or even weeks. In this range we'd usually see either some inconvenience or lower levels of distress, disappointment and loss of expectation.

But an award of over £300 and up to around £750 might be fair where the impact of a business's mistake has caused considerable distress, upset and worry and/or significant inconvenience and disruption that needs a lot of extra effort to sort out. Typically, the impact lasts over many weeks or months, but it could also be fair to award in this range if a mistake has a serious short-term impact.

Because the impact of AI's actions lasted some ten months and Mr S was caused considerable distress by at first thinking he was a victim of scam calls and then thinking he was the victim of a fraudulent third party claim, I think total compensation of £400 is fair and reasonable and in line with what this service would typically recommend.

My final decision

For the reasons given above, I uphold Mr S's complaint. I require Accredited Insurance (Europe) Ltd to pay Mr S a total of £400 compensation for the distress and inconvenience it caused him. If Accredited Insurance (Europe) Ltd has already paid Mr S the £300 compensation it previously offered, then it only needs to pay him the balance of £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 13 February 2025.

Sarah Baalham
Ombudsman