

The complaint

Mr J complains about the way AXA Insurance UK Plc handled a claim he made under his motor insurance policy.

What happened

The circumstances aren't in dispute, so I'll summarise the background:

- Mr J took out a motor insurance policy with an independent insurance intermediary, who I'll call A, in June 2023. The policy was underwritten by AXA.
- Mr J got in touch with AXA to make a claim after an accident in May 2024. He thought the third-party driver was responsible for the accident and promptly provided their insurer's details, dashcam footage, and details of a witness.
- AXA accepted the claim. It said Mr J's vehicle was a total loss and, in early June, valued it at £5,600. It also said Mr J would have to pay his premiums for the full policy term.
- In the meantime, AXA got in touch with the third-party insurer, who I'll call B, to agree liability. AXA re-requested the dashcam footage from Mr J in June and went on to share it with B in late July. By mid-August, B accepted liability. After AXA chased it, B made payment and Mr J's claim was closed as non-fault in September.
- Whilst the claim was ongoing, Mr J asked to replace his total loss car with a new car on his policy. AXA declined to offer cover for the new car. Mr J was concerned that quotes he went on to receive from other insurers for the new car were significantly more expensive than they should have been as a result of the ongoing claim and a reduced no claims bonus ("NCB"). He thought AXA was responsible for this.
- Mr J complained to AXA about a number of points. In summary:
 - AXA's car valuation was too low.
 - It hadn't offered to cover his new car.
 - It had charged for the full policy term.
 - The claim had taken too long to close, and he'd received poor service.
 - This delay and poor service had caused him distress, inconvenience, and increased the price he paid for other insurance policies.
- AXA didn't respond to the complaint initially but, after Mr J referred it to this Service, it considered the matter. It accepted Mr J's concerns about the service he'd received and offered £300 compensation. Aside from that, it thought it had acted fairly.
- Our investigator agreed with the position AXA had reached. Mr J didn't think £300 went far enough to put things right given the financial losses he'd suffered since the accident. He provided evidence to try to show the car valuation was too low, but AXA

didn't change its position.

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.

- This complaint is against AXA and is limited to activities AXA is responsible for. Mr J has also made a complaint against the independent intermediary, A, who sold the policy, and that will be considered separately. I can't consider anything the third-party driver, their insurer, or any other insurer, is responsible for.
- In summary, AXA has accepted the claim and closed it as non-fault. So that's not in dispute and I don't need to consider it. I'll consider each complaint point separately.

Car valuation

- The policy sets out how AXA will settle claims for damaged cars. In summary, this includes repair, replacement or paying the cost of the damage. And, where the car is beyond economic repair – known as a 'total loss' – AXA will pay the market value of the car at the time of the damage. AXA is entitled to choose which option to take.
- In this case, AXA found the damage made the car a total loss and chose to settle the claim by cash payment. I don't think Mr J disagrees with that in principle – his complaint is about the valuation AXA reached for his car: £5,600.
- Our investigator has checked the valuations given by four reputable vehicle valuation tools, using the details for Mr J's car, which are reasonable approximations of the market value. All four gave values less than AXA's offer.
- Mr J has recently provided evidence of similar cars advertised for sale with valuations of around £7,500 to £8,000. AXA said these adverts weren't for cars with comparable mileage, so it wasn't persuaded to increase the claim settlement.
- The engineer's report shows Mr J's car had driven around 100,000 miles at the time of the accident. One advert was for a car with 55,000 miles, another with 63,000, and the last didn't specify mileage. I agree there's a significant difference in mileage between Mr J's car and two of the adverts, so they don't reflect the likely market value of Mr J's car. The mileage is unknown in the third, so it can't be compared. As a result, I'm not satisfied the adverts show AXA's valuation is unfair.
- In these circumstances, I'm satisfied AXA's valuation of £5,600 was in line with the policy, and fair and reasonable, so it's entitled to settle the claim based on this. I understand AXA has already paid that settlement. And, whilst it initially deducted the excess as it was entitled to, it recovered this from B and reimbursed Mr J.

Cover for new car

- After his car became a total loss, Mr J bought a new car. He got in contact with A about insuring the new car on his policy. A got in touch with AXA, who declined to provide that cover. As a result, A got in touch with another insurer and told Mr J what the policy would cost with the other insurer. That was significantly more than he'd paid for his policy with AXA. Mr J didn't think this was fair.

- Like all insurers, AXA isn't obliged to offer insurance cover to every policyholder in every set of circumstances. AXA has certain criteria about which circumstances it will offer cover in and which it won't. These criteria apply to all policyholders.
- As our investigator has explained, it wouldn't be appropriate for me to reveal exactly what AXA's commercially sensitive underwriting criteria is. But I can assure Mr J that I've seen it, his circumstances fell outside of it, and he was treated according to these criteria in the same way any policyholder in similar circumstances would be.
- As a result, I'm satisfied AXA wasn't obliged to provide Mr J cover for his new car. AXA isn't responsible for the way A dealt with Mr J's enquiry. Nor the amount charged by other insurers – unless AXA has made a mistake which has contributed to an increase in a premium charged by another insurer. I'll come back to this point in a later section.

Paying for the full policy term

- After the damaged car became a total loss, AXA said there was an outstanding balance for Mr J to pay to cover the premium for the full policy term. Mr J didn't think he should have to pay this amount.
- The policy says that in the event of a total loss, there is no refund of premium. And payment by installments must continue for the fully policy term – or the remaining installments may be deducted from a claim settlement. This is a common policy term in the insurance industry, and I don't think it's unreasonable in principle.
- As a result, I'm satisfied it was fair for AXA to say Mr J had to pay the outstanding amount.
- AXA also said that if he didn't make the payment, a £35 administration fee would be charged, and the matter passed to a debt collection agency. The policy says that in the event of non-payment of premiums, AXA will use 'reasonable endeavours' to collect the outstanding payments. There are also charges set out in the policy documents, including £35 for some administrative tasks.
- Again, these are common policy terms and not unreasonable in principle. And I think what AXA has suggested amounts to 'reasonable endeavours'. But I would expect it to give Mr J a reasonable period of time to make payment, after the complaint process is complete and before additional charges are made or the matter passed to a debt collection agency.

Delays and service

- Our investigator has outlined the relevant claim history in detail, so I won't repeat it all here. In summary, there were some delays, particularly passing on the dashcam footage to B. But, overall, I consider AXA progressed the claim reasonably promptly at most stages. In particular, it proactively contacted and chased B, several times, to prompt B to respond and move the claim forwards.
- I know Mr J would have liked the claim to be resolved much faster, particularly given the dashcam footage he provided. However, no matter how clearcut the liability position may have seemed to Mr J, or even to AXA, it was necessary for AXA to get in touch with B to share the evidence and seek agreement to liability. AXA could encourage B to do that, which it did, but it couldn't force B to act any faster.

- On balance, if AXA had provided B with the dashcam footage sooner, I think it's likely B would have agreed to liability sooner. That would have meant the claim was resolved sooner. I estimate 4-6 weeks.
- There were also some service problems, such as re-requesting the dashcam footage from Mr J. And Mr J says he made a number of calls which weren't returned or didn't meaningfully progress matters. AXA seems to have accepted these failings.
- So it's clear Mr J suffered some avoidable distress and inconvenience as a result of the way AXA handled the claim. In these circumstances, I'm satisfied £300 is a fair and reasonable amount of compensation. This amount is solely for the non-financial impact of the delays and poor service – which is the distress and inconvenience caused to Mr J. It's not for any financial losses he may have suffered.

Impact of delay on financial losses

- I understand Mr J doesn't think £300 goes far enough to put things right because it doesn't cover his financial losses. I've explained above why AXA's car valuation was fair, and why it was entitled to charge the full policy premium. So I won't hold AXA responsible for any financial losses Mr J suffered from these things.
- Much of Mr J's financial loss seems to arise from increased premiums for his new car. Quotes for this were initially increased because Mr J's NCB was unfairly reduced. But AXA wasn't responsible for that, so I won't consider that here.
- Mr J's main concern is that AXA's claim delays have caused the premium increases. I said above that if AXA had made a mistake and that had contributed to an increased premium charged by another insurer, AXA may be responsible for that increased amount. But AXA isn't responsible for the premiums set by other insurers. To consider this point further, it may help if I explain some broader points about how claims are recorded and closed and the impact that can have on premiums.
- It's common practice in the insurance industry for an insurer to record a claim as fault initially. That doesn't necessarily mean an insurer considers its own policyholder is actually at fault for the accident. It simply means an agreement hasn't yet been reached with the third-party insurer to accept liability for the accident and any costs involved. So it effectively means 'liability not yet accepted'.
- Usually, the claim record will stay that way and will be closed that way – unless the third-party insurer accepts liability. At that point, the claim record will change to non-fault and the claim will be closed once payment has been received from the third-party insurer. Any insurer later approached to offer cover for this policyholder will be aware they had a non-fault claim and set the premium accordingly.
- Generally, insurers are more likely to increase premiums where there's been a recent claim – or an incident that didn't lead to a claim. That increase may be greater where there's more than one recent claim or incident. Whilst fault claims usually have a greater impact on premium increases, non-fault claims can still have an impact.
- Returning to Mr J's case, even if the claim had been handled without a delay, he would nonetheless have had a closed non-fault claim as a result of this accident. That's likely to result in an increased premium. He's had other recent incidents too, so that's likely to result in a further increase. Any such increase isn't something I can

hold against AXA – it's the nature of the insurance industry and AXA isn't the insurer charging Mr J an increased premium in any case.

- So I think the only way AXA *could* be responsible for any of Mr J's increased premiums is if he took out a policy with another insurer during that 4-6 week period of time in which the claim ought to have been closed as non-fault – but it was open as fault. In that case, the other insurer's premium *may* have been increased beyond what it would have been – as a result of AXA's delays. But there may not have been such an increase – or the increase may have been a relatively modest proportion of the overall premium.
- In any case, I haven't seen any evidence to show there was such an increase or how much it would have been if there was one. Mr J is entitled to seek that information and share it with AXA for further consideration if he wishes.

Overall

- For the reasons given above, I'm satisfied AXA has caused Mr J some avoidable distress and inconvenience and that its offer of £300 compensation is a fair and reasonable remedy in the circumstances.
- I'm satisfied it otherwise acted fairly and reasonably and isn't responsible for any of Mr J's financial losses – aside from the possibility of contributing to increased insurance premiums for a brief period, which hasn't been shown. As a result, I won't require it to pay anything more than £300 compensation.

My final decision

I uphold this complaint.

I require AXA Insurance UK Plc to pay £300 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 3 March 2025.

James Neville
Ombudsman