

The complaint

Mr P complains that Astrenska Insurance Limited trading as Collinson Insurance ("Astrenska") wouldn't pay a claim under his excess insurance policy.

What happened

Mr P had an excess insurance policy with Astrenska. He was sold the policy by a broker, and it was bought to cover part of the excess on his car insurance policy.

His car insurance policy excess was £650 and the excess insurance policy would pay out up to £500.

Mr P was involved in a collision, which was his fault. He notified his motor insurer and made a claim. The total cost of the repairs was about £630, which was less than his excess, so he paid the repairer directly and his insurer closed the claim.

He made a claim from Astrenska for the £500 excess. It declined his claim as it said Mr P hadn't paid an excess.

Mr P remained unhappy and brought his complaint to this service. He asks that Astrenska settle his claim for £500.

Our investigator looked into his complaint and thought it would be upheld. She thought Mr P had suffered a loss he could reasonably expect to be paid out for under the terms of the policy. She said it should pay Mr P £500 plus interest at 8% simple.

Mr P agreed with the view, but Astrenska didn't. It said its policy was there to respond to an excess being paid out under a claim and that hadn't happened in this situation.

Because Astrenska didn't agree, this complaint has been passed to me to make a final decision.

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 P's complaint and I'll explain why.

The starting point here is the policy wording. This says:

"Upon payment of the premium, the insurer will pay you:

a) the value of your excess; or

b) the sum of £500 (whichever is the lower amount)

In relation to each settled claim under your motor insurance policy which occurs

within the territorial limits during the period of insurance....”

The policy wording also states:

“What criteria apply?”

The excess covered under this policy must relate to a claim made under the motor insurance policy in respect of fire, theft, attempted theft or vandalism or an accident that was your fault or partly your fault, or where you have been unable to recover your excess from a liable third party within a six month period of the date of the claim.”

Claims are defined in the policy as:

“Claim(s) An incident covered under your motor insurance policy...”

In the view, our investigator said she thought, although Mr P’s claim wasn’t being handled and settled as a claim by his motor insurer, he had suffered a loss and could reasonably expect to be repaid by Astrenska under the cover provided by his excess policy.

In its response to the view, Astrenska said:

“...a claim must have been settled on the motor insurance policy for this payment to be made. As Mr P’s repair cost fell below the amount of their elected excess the insurer did not settle the claim. No claim was made on the motor insurance policy. Consequently, no excess was paid by Mr P towards a motor claim.”

I think the terms of the policy are clear. Mr P did make a claim from his motor insurer, but the insurer then stopped the claim when it emerged that the claim amount was less than his excess.

According to the strict interpretation of the wording, Mr P didn’t pay out his excess as his claim under his motor insurance policy wasn’t large enough to be dealt with by his insurer. So, there’s no cover under the terms of his excess insurance policy.

But I can’t say that leads to a fair outcome for Mr P. He bought the excess insurance expecting it to respond when he had to cover his excess in a claim situation.

In Mr P’s case, his claim was about £20 below the excess, and so Astrenska declined his claim. I do appreciate the limit on his policy still exists, and the policy stands ready to pay a future excess claim.

Astrenska’s declinature of his claim was in line with the policy wording, but he’s been denied cover due to the terms of the policy wording when I think he would reasonably expect to be indemnified.

So, I think the fair and reasonable outcome needs to be that Astrenska settles Mr P’s claim for £500 in line with the policy terms. And I think it needs to add interest to that figure at 8% simple from the date it declined his claim to the date it makes this payment.

My final decision

For the reasons set out above, my final decision is that I uphold this complaint. I direct Astrenska Insurance Limited trading as Collinson Insurance to settle Mr P’s claim for £500 in line with the remaining policy terms. Interest at 8% simple should be added to this amount

from the date it declined his claim, to the date it makes this payment.

If Astrenska Insurance Limited trading as Collinson Insurance considers that it's required by HM Revenue & Customs to withhold income tax from that interest, it should tell Mr P how much it's taken off. It should also give Mr P a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Astrenska Insurance Limited trading as Collinson Insurance must pay the amount within 28 days of the date on which we tell it Mr P accepts my final decision. If it pays later than this, it must also pay interest on the amount from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 6 March 2025.

Richard Sowden
Ombudsman