

The complaint

Mr D complains about how UK Insurance Limited (UKI) handled a claim he made on his motor insurance policy.

What happened

In October 2023, Mr D's vehicle was damaged by flooding whilst he was driving. UKI wrote to Mr D at the time and told him the claim was recorded as a "fault" claim but that his no claims discount (NCD) would not be affected as he was covered by UKI's Fair Claim Commitment.

Mr D contacted UKI in January 2024 to complain that his premiums had risen and said that he believed the original letter had meant there was a fault with the car. UKI investigated this as a complaint. Before concluding its investigation, UKI separately wrote to Mr D to say that once the claim was settled it would close it on a "non-fault" basis.

After investigating, UKI told Mr D it concluded he had not been properly advised that the claim would go down as a fault claim during the initial call he had with it and that he had spent too long on hold. In total UKI told us it had offered him £100 as compensation for this. It also said that Mr D's premiums had increased due to a variety of factors which included but weren't limited to, the claim.

Mr D called UKI in response and he was told again that once the claim was settled it would be closed on a non-fault basis.

Mr D later contacted UKI to complain that the repairs approved by UKI were too expensive and the claim should be recorded as non-fault because it had not been explained to him properly. UKI investigated the matter and confirmed it felt it had fairly approved the repair work and had already investigated and dealt with the claim being recorded as fault as part of the previous complaint Mr D raised. UKI also noted that, that its policy documents made clear if he moved insurer his NCD could be affected.

UKI later wrote to Mr D to confirm his claim was closed and his NCD would not be affected. Mr D called UKI and complained about being told the claim was recorded as non-fault. He was told the letter he had received was worded incorrectly as, although it would not affect his NCD, it would be recorded as fault because it was a claim against the policy.

Mr D referred his complaint to this Service.

Another ombudsman issued a provisional decision partially upholding this complaint and he said the following:

"I've come to a partly different conclusion to the investigator and I'll now explain why.

How the claim is recorded

Our role is to look at whether UKI has carried out a fair investigation, reviewed all the evidence available and came to a reasonable decision.

Mr D was told at the outset that this would be recorded as a fault claim. UKI was entitled to record the claim as fault because the claim related to damage caused whilst Mr D was driving and because it didn't involve a third-party, UKI wasn't able to recover its costs. A fault claim doesn't mean the party is at fault – it means the insurer isn't able to recover its costs.

Mr D says that he thought that fault meant a fault with the car but that's not the case, and I can't see anything UKI said or did that fairly gave him that impression.

Whether the no claims discount is allowed on a claim often indicates whether a claim is deemed as fault or non-fault. With most fault claims having the NCD disallowed, and non-fault claims having the NCD allowed. That's probably what's caused some of the confusion here. It looks like UKI has allowed Mr D's NCD, but recorded costs for the claim. This isn't unusual, and it's something UKI is entitled to do – but it could have explained this better to Mr D. It is because of Mr D being covered by UKI's Fair Claims Commitment that it allowed the NCD, but it did explain that other insurers might consider it as part of claim history and affect his NCD should he move insurance provider.

A fault claim can have an effect on future premiums even if the NCD bonus is allowed because they serve different functions. A policy is rated on a number of factors, including claim history. The NCD is then a discount added at the end of that process. I'm satisfied UKI has also confirmed that Mr D's premiums increased for a variety of factors not just the claim.

The repair costs

UKI had the repairs to Mr D's vehicle assessed by a garage which Mr D nominated. In agreeing to the repairs at the costs quoted, it relied on the engineer's report from the garage. This was reasonable. UKI knew that it would be paying the costs and had no way to recover its losses so it had no interest in paying higher costs without reason. Due to this, it is also fair and reasonable for UKI to offer Mr D to buy back the claim at the full cost.

Customer service

Mr D has stated to UKI and to this Service that he considers a better explanation should have been provided as he did not understand the context of the word "fault" and I agree UKI could have been clearer.

UKI's communications have at times said the claim was to be recorded as fault and at other times as non-fault. This distinct lack of clarity has clearly caused Mr D distress and inconvenience. Whether the claim is recorded as fault or non-fault is an important part of the claim process and the repeated confusion on it by UKI is poor. UKI's offer of £100 compensation related solely to his initial call with them. It did not account for UKI's subsequent letter and call which also wrongly said the claim would be recorded as non-fault.

It is clear that these miscommunications have played a part in Mr D's confusion. So I think UKI should increase the compensation it has offered to £250.

For these reasons, I uphold Mr D's complaint in part."

UKI accepted the ombudsman's provisional decision, but Mr D didn't and, in summary, he raised the following points:

- The ombudsman said he'd received £100 in compensation, but he'd actually received £200. He set out he recently tried to cash the cheques for this amount, but they failed.
- He queried why the ombudsman hadn't investigated the actual fault of the car. He reiterated that he'd been told by a recovery company that all UKI needed to do was to

dry out the electrical plug and perform a simple software reset to resolve the issue. So he queried why it authorised the repair garage to replace the transfer box (at huge expense) without first investigating what was causing the problem. He said he'd lost out because of this as he would have wanted to buy the claim back. But this failure to investigate, meant that it was now too expensive to do so.

- He maintained UKI had been unclear and misleading in how it categorised the claim. He said he did everything it asked him to do to ensure the claim was recorded as "non-fault" only to be later told it wasn't. However, he said, if the matter is recorded as "non-fault", then he would consider this specific issue resolved.
- He requested a review of the motor insurance industry. He queried why insurance companies couldn't be honest, transparent and upfront about the real implications of insurance, especially when asked.
- UKI has caused him considerable frustration and upset for over a year. And he said, unless resolved, it's actions will result in a significant uplift in his annual premiums for the next 4/5 years. And he said the demands to endlessly make phone calls and write letters and emails has been astonishing.

Since issuing the provisional decision, the previous ombudsman has left this Service. So the complaint's been passed 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.

I think it would first be helpful to clarify the role of this Service. The Financial Ombudsman Service is not the regulator of the insurance industry – that is the responsibility of the Financial Conduct Authority. We are an alternative dispute resolution service. It's not our role to investigate how an industry operates, nor is it our role to protect the interests of the financial and insurance sectors as Mr D has suggested. This Service's role is to assess each situation on its own merits, see whether a business has acted fairly and reasonably and, if not, whether it's taken fair steps to put things right.

So, while I recognise the fact Mr D is unhappy with the way UKI – and in turn the insurance industry as a whole – operates, it's not for me to comment on this.

All parties have accepted that UKI could and should have been clearer with Mr D about the way the claim will impact him; particularly, whether it would be recorded as fault or non-fault. However, I think the majority of this confusion rests from UKI's use of the phrase of "fault" and "non-fault" as that's not actually the correct terminology. All insurers typically refer to claim status colloquially as fault or non-fault, but in actual fact it's recorded as "NCD allowed" or "NCD disallowed". Whether a consumer is at fault for an incident is not generally the deciding factor or how a claim is categorised, but it's a matter of whether the insurer has been able to recover it's outlay or not.

In this case, Mr D was involved in a single vehicle accident where he drove through a flood and made a claim for the damage to his car through his insurance policy. Most insurers will treat this claim as "NCD disallowed". However, the terms of Mr D's insurance policy set out that Mr D's NCD won't be affected if he makes a claim where his car was damaged by fire, flood, a storm, potholes or poor road maintenance. And, in response to the provisional decision, Mr D has also confirmed that UKI has treated the claim as non-fault. So, all in all, I can't say UKI has treated him unfairly in how it categorised the claim.

However, as I said, it is accepted that UKI hasn't been clear throughout this process. It initially told Mr D it would treat the claim as "non-fault", then said it would treat it as "fault"

and now it's been confirmed it's treated it as "non-fault". I think if UKI had been clear one way or the other throughout, it could have avoided the majority of Mr D's distress and inconvenience. The ombudsman thought UKI should pay him £250 in compensation for this and I agree.

Finally I've considered Mr D's comment about the extent of repairs UKI authorised. While I note his comments regarding this, UKI is required to carry out a lasting effective repair to the car. However, of particular note here, it was Mr D's chosen garage who advised the works that were needed. UKI is not responsible for the actions of that garage. That said, it's of course not in UKI's interest to pay for something not needed. But I understand UKI's inhouse engineer reviewed the invoice and considered the works in line with expected repairs arising from driving through a flood. And I've seen no reason why UKI should have disputed this report – especially given it was provided by a manufacturing dealership. If Mr D is unhappy with the actions of that garage, he'll need to raise it with them directly.

My final decision

For the reasons I've set out above, it's my final decision that I require U K Insurance Limited to pay Mr D £250 in compensation if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 5 March 2025.

Guy Mitchell

Ombudsman