

The complaint

Mr E has complained about the way his motor insurer, Liverpool Victoria Insurance Company Limited ('LV'), recorded his no claims discount ('NCD').

What happened

Mr E took out a policy with LV in 2020 for six days. At the time, his previous insurer confirmed that he had an NCD of 17 years.

In 2024 Mr E contacted LV and said he was also contacting other insurers he was previously insured with in order to determine why his NCD had decreased despite not having made any claims. He said he went to LV with 17 years NCD but left with nine without making a claim. He asked for an updated copy of his NCD certificate to show he still had 17 years NCD when he left LV.

LV said this was the maximum number of years it records for its customers and wasn't able to say Mr E's NCD was higher. It said it also wasn't able to issue a new NCD certificate as he was only insured with it for six days. LV said Mr E hadn't lost his NCD and all he would have to do is give his new insurer his previous NCD which showed 17 years on it and a confirmation LV had provided saying he hadn't had a claim while he was insured with it.

Mr E wasn't happy about this and complained. He said he had spoken with other insurers who were happy to honour his original NCD and LV was the only one which refused to do so. He said his new insurer was happy to honour his 20 years NCD but required LV to issue an updated certificate.

LV considered Mr E's complaint but it didn't uphold it for the reasons it had already given to him.

Mr E then brought his complaint to our service. He said that any NCD over nine years is nullified by LV and that no customer should ever take out insurance with it if their NCD is more than eight years. He added that LV should warn potential customers about this in advance so they can make an informed decision before purchasing a policy with it. He said his premiums have increased as a consequence of LV's actions.

One of our investigators reviewed the complaint but didn't think LV needed to take any action. Our investigator said that it is for insurance companies to determine how they apply a customer's NCD and that there are other insurers who also have maximum number of years they allow. Some have nine years, others can have five or even less. She also thought that LV made it clear during the sales process that a maximum of 9 years NCD was applied and that this was also clear in its policy documents.

Mr E didn't agree with our investigator. He thought it was unfair for LV to retain customers' NCDs after their policies with it expire. He said this in turn forces them to pay higher prices to future insurers. He said if this was made clear to him at the outset, he would not have taken the policy out.

Mr E asked for an ombudsman's decision and so the matter was 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.

Mr E has raised a number of points he'd like me to consider and though I have reviewed all of them, in this decision I will focus on the ones I consider to be the most important. No discourtesy is intended by this. We aim for our decisions to be as concise and to the point as possible.

I should also clarify that in this decision I will only be considering Mr E's individual complaint and not any wider issues which he feels may impact other consumers. I understand Mr E feels that LV's practice regarding NCDs unfairly impacts other customers, past, present and future and that it should stop. This isn't something we are able to consider in our decisions which, as I said above, only deal with individual complaints. But this is something Mr E may be able to raise with the regulator, the Financial Conduct Authority (FCA).

Mr E is unhappy that his NCD went from 17 down to nine years without him making a claim, purely because this is the maximum number of years NCD LV will allow.

LV confirmed that Mr E's policy was cancelled in August 2020 and that, at the time, it had issued him with a proof of NCD saying that he had nine years' NCD. In April 2024 LV also issued Mr E with a letter stating that he didn't make any claims in the previous five years.

As our investigator said, while there are some agreed general conventions relating to NCD, some insurers will apply NCD differently to others. This is a commercial decision by each insurer and not something we would interfere with. So, LV's decision to apply a maximum nine years NCD to its policy is a decision it is entitled to make. I appreciate Mr E may feel this point is irrelevant to his complaint but it helps explain how I arrived at my decision.

Mr E said that LV is the only insurer that restricts NCDs and that it should make this clear from the outset so that customers can make an informed decision before they take their policy out. As far as I am aware, a number of insurers have a maximum number of years' NCD they will take into account. Some companies consider nine years as the maximum whereas others allow only up to five or even four years. This is standard industry practice, and I don't think LV is unique in doing this. So, I don't think what it is doing is unfair or unreasonable.

LV has also provided details of its sales journey. It said Mr E took the policy out through a price comparison site which then redirected him to LV's website. On LV's website it was clear that the maximum NCD allowed was nine years. This was on the summary screen and

also in the FAQs. So, on balance, I think this was made clear at the time the policy was taken out. This is also mentioned in the policy documents.

I appreciate Mr E says he just wanted LV to confirm that he had 17 years' NCD when he took his policy out and therefore that it was still 17 years when he cancelled his policy six days later. He said even if it does have a maximum amount of NCD it takes into account it should still be able to issue a letter confirming the actual number of years NCD he has and that this is what other insurers do. He said LV's refusal to do this means that he is paying higher premiums than he should be.

LV said it wasn't able to issue a new certificate as Mr E was only insured with it for six days and did not incur any further NCD during this time. But it was able to provide Mr E with a letter in 2024 confirming that he didn't make any claims over the five years that passed since he took his policy out. In these specific circumstances I think this together with the letter from Mr E's previous insurer confirming that he had 17 years' NCD when he went to LV, should be sufficient evidence for any prospective insurer, who, as Mr E says, wants to honour his 20 years NCD. If Mr E is unhappy with how his new insurer is interpreting these documents, then he may raise a complaint with that insurer.

I appreciate Mr E will be disappointed with my decision and I appreciate the time and effort he has put into this complaint. But, for the reasons I provided above, I don't think LV as Mr E's former insurer has treated him in a way which was unfair or unreasonable.

My final decision

For the reasons above, I have decided not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 16 April 2025.

Anastasia Serdari
Ombudsman