

The complaint

Mr T has complained about Liverpool Victoria Insurance Company Limited (LV)'s decision to record a claim he made under his car insurance policy as a fault claim and charge him an additional premium.

What happened

In July 2022 Mr T made a claim for damage to his car caused by a fallen tree branch. LV recorded the incident as a non-fault claim. It settled Mr T's claim.

In February 2024 LV updated its record to show it settled the claim as a fault claim and charged Mr T an additional premium of £71.90.

Mr T complained to LV. He didn't agree with its recording of the claim. He said it should have recovered the claim costs from the council as the third party responsible for the tree. He wanted LV to remove the claim from external databases.

In April 2024 LV didn't uphold Mr T's complaint. It explained that it had now correctly recorded the incident and the additional premium was correctly due.

In October 2024, as Mr T hadn't received its final response letter from April 2024, LV looked at his complaint again and upheld it in part. It said it should have recorded the incident as 'fault' from the outset. Because of its error, it agreed to refund the £71.90 to Mr T as it said it shouldn't have charged him mid-way through the policy term. It rounded this amount up to £100 as a goodwill gesture, to compensate Mr T for the distress and inconvenience caused.

Mr T remained unhappy and asked us to look at his complaint. One of our Investigators recommended LV increase the compensation it paid to a total of £200, which included the refund of £71.90. He thought LV should have been clearer from the outset and acknowledged that it had failed to consider recovering claim costs from the council at the time. Although LV had since considered this and explained it would be difficult to prove negligence on the part of the council due to a falling tree branch, which the Investigator thought was reasonable.

LV made an alternative proposal. It said it would change the incident recording from fault to non-fault as a goodwill gesture, but made it clear this was not due to agreeing it hadn't correctly recorded the incident. It believes a fairer compensation award is to pay £100 compensation in addition to the £71.90 refund, so a total award of £171.90, rather than the £200 total award the Investigator recommended.

Mr T remains unhappy as he says the recommended compensation award doesn't undo the impact on future premiums. He has asked if the recording of the incident as a non fault incident will still impact on future premiums, and if LV will recalculate his premiums accordingly.

As both parties disagreed with the Investigator's view, the case has 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've considered what would have happened if LV had correctly dealt with Mr T's claim. It isn't for us to decide liability as this is the role of the courts. But we can look at whether an insurer reached its decision to settle a claim in a reasonable way and in line with the policy.

LV like most – if not all – insurers has a term which says it can take over the defence and settlement of a claim in Mr T's name. This means it might make a decision Mr T doesn't agree with, but the policy allows this to happen.

LV hasn't shown that it properly considered Mr T's claim until it responded to his complaint in April 2024. I think it should have considered whether it was appropriate to look to recover claim costs from a third party much sooner. Having said that, I think its reasoning as to why it ultimately didn't do this is fair.

As LV explained, where an insurer is unable to recover all of its claim costs from a third party, it will record the incident – including on external databases – as a fault claim. This is the term used by insurers to record a claim in these circumstances. It doesn't mean that a customer is at fault for the incident.

So if LV had correctly dealt with the claim, it would have recorded it as a fault claim from July 2022 and Mr T would have needed to pay a premium to reflect this claim recording from the renewal date in October 2022.

I understand LV adjusted Mr T's premium to take into account the change in how it recorded the claim in February 2024. But it has since refunded this amount, which I understand effectively means Mr T hasn't paid an increase in premium up until this date.

In addition, LV has paid a compensation award equivalent to £28.10, as it rounded up the payment it sent to Mr T to £100.

While this goes some way to putting things right, I agree with the Investigator that a fairer compensation award for LV's poor handling of the claim should be £200 in total. So including the refund.

As LV met Mr T's claim for damage to his car, it has correctly recorded the incident on external databases. This is in line with industry practice. And in response to the Investigator's view and Mr T's further comments, LV says it will change the recording of the incident to 'non-fault' on external databases. But it says it believes a fair compensation award is £171.90, so £100 compensation plus the refund premium.

I think overall a fair approach is for LV to increase the compensation award to £200 in total, so taking into account the £100 it has already paid which included the premium refund. And I think its offer to change the recording of the incident from fault to non-fault is reasonable.

Some insurers apply a rating for incidents, depending on whether they are recorded as fault, or non-fault. How much they charge depends on their appetite for risk – and so it isn't possible for LV or this service to guarantee that Mr T won't be impacted by an increase in premium in the future. Had LV recorded the incident as a fault claim, this wouldn't have been wrong as it met Mr T's claim for damage to his car.

My final decision

For the reasons I've given above, my final decision is that I uphold this complaint. I require Liverpool Victoria Insurance Company Limited to do the following:

- Provide Mr T with a letter confirming it has recorded the incident from 8 July 2022 as a 'non-fault' incident.
- Update all external databases to show the incident as 'non-fault.'
- If there is an adjustment to the premium Mr T has paid as a result of changing the

claim from 'fault' to 'non-fault,' LV should provide a refund.

- Pay Mr T a total compensation award of £200, so an additional £100 to what it has already paid.

Liverpool Victoria Insurance Company Limited must pay the compensation within 28 days of the date on which we tell it Mr T accepts my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision to the date of payment at a simple rate of 8% a year.

If Liverpool Victoria Insurance Company Limited considers that it's required by HM Revenue & Customs to withhold income tax from that interest, it should tell Mr T how much it's taken off. It should also give Mr T a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 15 April 2025.

Geraldine Newbold
Ombudsman