DRN-5618352

The complaint

Mr P complains that AXA Insurance UK Plc (AXA) prematurely and unfairly settled a claim against his motor insurance policy. He added that it unreasonably reduced his no claims discount (NCD) as a result and refused to reimburse the proportion of his unused premium when he cancelled the policy.

What happened

In March 2024 the named driver on Mr P's policy believed she'd hit a parked car. She left Mr P's contact details with the car's owner (the third party). Soon after AXA told Mr P it had received a claim from the third party's insurer. Mr P said his named driver was unsure if she'd actually hit the other car or if any damage had been done. He said he would speak with the third party himself and settle any claim privately.

Around a month later Mr P cancelled his AXA policy. AXA told him at that point that no refund was due as it would need to leave the claim open for at least six months from the date of the incident.

In July 2024 solicitors acting for the third party insurer sent AXA a letter before claim. It said that if AXA did not settle the third party insurer's outlay for repairing the third party's car – which was around £4,015 – within 14 days they would issue court proceedings to recover the sum. AXA wrote to Mr P to say that it intended to settle the claim. He replied that he was surprised because he didn't think the third party's car was damaged and he didn't accept liability.

AXA settled the third party insurer's claim. Mr P didn't think that was fair and complained. AXA upheld his complaint in part. It said that, given the incident circumstances, its decision that this was a 'fault' claim was the correct one. But it added that as Mr P disputed that any damage had been done, it should have asked for images of Mr P's car at that point. It said it also should have asked for evidence of the damage being claimed in relation to the third party's car before settling the claim. In acknowledgement of its errors it offered Mr P £150 compensation.

Mr P remained dissatisfied and brought his complaint to the Financial Ombudsman Service. One of our Investigators looked into it. He didn't think AXA needed to take any further action. Mr P didn't agree with our Investigator's assessment of the complaint. So the matter's been passed to me to determine.

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.

Having done so I'm not going to instruct AXA to take any further action.

In bringing this complaint Mr P has made a number of points and I've considered all those carefully. But in this decision I will focus on what I see as being the key outstanding issues at the heart of Mr P's complaint following our investigator's assessment of it. And where the evidence is incomplete, inconclusive, or contradictory, I reach my conclusions on the balance of probabilities – that is, what I think is more likely than not to have happened based on the available evidence and the wider surrounding circumstances.

AXA, like all motor insurers I'm aware of, has a clause in the contract (the policy) that allows it to settle a claim as it sees fit. This gives it the right to decide who it believes is liable for a claim, whether that liability should be in full or shared or indeed whether or not the matter should be decided in court. My role isn't to decide liability. Ultimately that's a matter for the courts. Rather, my role is to decide if AXA has acted in a fair and reasonable way.

Did AXA act reasonably?

AXA has acknowledged that it didn't do everything it should have done. It said that, when Mr P questioned whether any contact had been made with the other car it should have asked him for images of his car. It also said that before paying the claim it should have asked for evidence of the damage and the repairs but it hadn't done so.

I can understand that, perhaps from Mr P's perspective, this means that AXA's decision to hold his named driver at fault for an incident is unfair. Especially given the subsequent effects on him including the reduction in his NCD and the effects on future premiums.. While I can entirely understand that point of view, I don't think, on balance, the outcome for Mr P was likely to be any different even if AXA had taken all the steps it should have done.

I'll explain that the third party reported the incident to their insurer soon after it happened. I understand their account was that they'd parked their car and later found a note on the windscreen advising them that the named driver had collided with their car. The third party told their insurer the car was undrivable.

Mr P's account was that the named driver told him she wasn't sure if she'd actually made contact with the other car. But I think it's more likely than not that the two cars did come together. I say that because it would be a most unusual event to leave a note or to otherwise tell another car owner that one car had hit the other if no contact had been made.

Also Mr P was willing to settle the matter privately. I don't think many people would offer to pay for repairs to someone else's car unless they believed there was a good reason to do so. I'm satisfied, therefore, on balance, that the two cars did come together. And as the other car was parked and stationary at the time, there can be no doubt that the named driver was at fault for that coming together.

I'll add that the third party was under no obligation to accept Mr P's offer to settle the matter privately, no matter what they discussed between themselves. The third party paid a premium to her insurer to deal with events like this. And she was perfectly entitled to hand the matters over to her insurer to arrange repairs and pursue AXA – as Mr P's insurer – to refund its outlay.

In this case the two insurers involved, AXA and the third party insurer have agreed to a protocol known as RIPE – reduction in paper exchange. As our investigator has previously explained this is an agreement aimed at avoiding disputes between insurers about the quantification of claims. There are varying rules and guidance that insurers must adhere to in dealing with claims under this type of agreement so that trust, honesty, and transparency between both insurers is integral. That in effect meant neither car nor the engineering evidence needed to be examined by the other insurer here. And the regulator, the Financial Conduct Authority (FCA) permits such agreements.

The RIPE agreement meant that AXA wasn't generally, under an obligation to seek further evidence verifying the claim. But where there is essentially a dispute about how much the claim might cost because the name driver didn't think there was any damage, it's reasonable to ask the other side to present their claim evidence, regardless of the RIPE agreement prior to paying it. So I think AXA should have sought evidence from Mr P of the condition of his car. It also should have asked the third party insurer or its solicitors for the required information to justify the amount of the claim. And I can understand Mr P's frustration that it didn't do so.

But, as I've said above, on balance I'm not persuaded that had AXA taken those steps the outcome was likely to have been any different for Mr P. The third party insurer is a well-known insurer which will, no doubt, deal with thousands of claims a year. And I don't think it would knowingly and willingly pay a claim that it didn't think was valid or where the other side, in this case AXA, was likely to successfully defend it.

I'll explain that in claims of this nature it's standard for the insurer to arrange and pay for its own policyholder's car repairs. And before it does so, it's usual for the insurer to ask their repairer to provide an estimate and for their engineers to ensure that the estimate is reasonable given the circumstances of the claim. In that way the insurer seeks to reduce or minimise the prospects of fraudulent or exaggerated claims. The insurer then claims its outlay back from the other side.

If for example, the other side can prove that the repairs were unnecessary or not caused by the incident claimed then the insurer pursuing the costs will not recover its outlay. So it's not in an insurer's interests to pay claims that are without merit, not valid or otherwise exaggerated. That means that if an insurer has concerns about the validity of a claim it won't agree to pay it even where the insurer believes it can recover its outlay because its own policyholder was not at fault for the incident.

In this case, as AXA didn't appropriately seek evidence to substantiate the claim, neither it nor Mr P can be certain that the third party insurer didn't make a mistake when agreeing to repair the car. That said, given the RIPE protocol and the experience of the third party insurer, I think it's extremely unlikely that it paid a claim – and sought to recover its outlay from AXA – when it should not have done.

I'll add that had AXA found there to be some anomalies with the costs of repair, for example it found that those included repairs for damage inconsistent with in the incident giving rise to the claim, then I still find it unlikely Mr P would be in a different position now. That's because the third party's claim would undoubtedly have given rise to some costs. The third party apparently told their insurer that the car was undrivable. So in order to establish why that was and if it was related to the reported incident, the car would have had to be recovered to a repairer and an estimate provided. Those things would have involved a cost. And given that costs were borne on the back of the named driver colliding with the other car, AXA would have been ultimately responsible to cover that cost. And if AXA had settled any claim, even for a lower sum, that would still result in a fault claim against Mr P's policy.

Further, I note Mr P's named driver believed that there was no damage to the third party's car. Also that there was no damage to Mr P's car. But that doesn't mean that the third party's car wasn't damaged and even minimal damage will require a repair. Also, modern cars are designed to absorb much of the force of impacts to minimise injuries to pedestrians who might be hit by them. So on the outside, the bodywork may appear not to be damaged, but further investigation upon removal of the panels etc can often reveal damage which is not immediately apparent to the naked eye. So it's entirely plausible for a repair to be required even where this isn't immediately apparent following an incident.

Having thought about this very carefully, I think it's more likely than not that:

- While driving Mr P's car under the terms of his policy the named driver collided with the third party's car.
- As a result of the collision the third party's car suffered damage which required repair.
- The third party insurer was entitled to claim its outlay for the costs of the repair and incidental claim expenses from AXA, which it subsequently paid.
- In those circumstances AXA has correctly recorded a fault claim against Mr P's policy.

I'll briefly say that after Mr P complained AXA did, retrospectively, seek to verify the details of the third party insurer's outlay. But I believe it's been unsuccessful in doing so. I don't find that surprising. It's probably the case that, as far as the third party insurer and its solicitors are concerned, that matter is closed. AXA has paid the claim and there is nothing outstanding. So the solicitors and third party insurer most likely consider AXA's request for further information to be little more than an unnecessary administrative burden of extremely low priority. And, unless AXA settled the claim on a 'without prejudice' basis there is essentially little it could do now to enforce reimbursement should it feel that is necessary.

As I've said above, I do understand Mr P's frustration that AXA didn't take the steps it should have taken before settling the claim. But AXA has recognised the impact of its mistakes when it offered him compensation of £150. I think that's a reasonable offer in the circumstances as it's in line with awards I would make in other cases of similar seriousness. So, while AXA didn't handle the matter as well as it should have done, I'm not going to make a further award.

Has AXA given Mr P incorrect NCD information?

Mr P told us that he should have ten years NCD but AXA has incorrectly reduced this to four years.

When Mr P's policy started he had nine years NCD. That would have increased to ten years if he'd held the policy for a full year without a fault claim against his policy. But neither of those things happened.

Mr P's policy began in December 2023, but he cancelled it in April 2024 so he hadn't accrued a full policy year when he cancelled. That meant he would not have been entitled to a further years NCD.

Further both Mr P's policy wording and his policy schedule were clear that, in the event of one claim against the policy, the NCD would be reduced to four years. As set out above, there was a successful claim on Mr P's policy. So, in line with its terms and conditions AXA appropriately reduced Mr P's NCD to four years. It follows I'm satisfied it hasn't made an error with Mr P's NCD.

Should AXA have reimbursed some of Mr P's premium when he cancelled it?

Mr P cancelled his policy after roughly four months. So I can understand he may have expected to receive a proportionate refund of the unused portion of his policy. But Mr P's policy says that in the event a claim is made against it AXA will not provide a refund.

At the time Mr P cancelled his policy there was a claim against it, which AXA later decided to settle. So under his policy terms he wasn't entitled to a premium refund. And I think that's fair. That's because the premium Mr P paid was for AXA to cover him for the risks set out in the policy. And as AXA paid out on a claim, Mr P has had the benefit of that policy. So I think it was reasonable for AXA to retain the full amount of the policy's premium.

My final decision

For the reasons set out above I'm not going to make any award against AXA.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 18 July 2025.

Joe Scott
Ombudsman