DRN-5661814

The complaint

Mr M complains about how AA Underwriting Insurance Company Limited (AA) handled and settled a claim made on his motor insurance policy.

What happened

Mr M's car was stolen, and he made a claim on his policy. AA said the car's pre-loss value was £23,386. But it deducted the policy excess and a proportion of 16% as it said Mr M hadn't disclosed a previous driving conviction. Mr M thought this was too high a deduction. And Mr M was unhappy with how this claim, and a previous one had been handled. AA paid Mr M £50 compensation for its poor communication.

Our Investigator recommended that the complaint should be upheld in part. He thought AA's decision to settle the claim proportionately due to the qualifying misrepresentation was fair and reasonable. And he thought it had justified a 16% deduction from the settlement.

He thought AA should address Mr M's complaints about his previous claim. He thought it should raise a claim for his car's contents. He thought AA should provide us with information to show how Mr M's policy premiums had been calculated. And he also thought AA should pay Mr M an additional £250 compensation for the frustration and upset caused by its poor customer service, its delays, and its errors in progressing the claim.

Mr M replied that he agreed. But AA replied that Mr M had only recently accepted its settlement offer and so it questioned whether its level of service had had an impact on him. It said matters relating to the previous claim would be dealt with as a separate complaint. AA asked for an Ombudsman's review, so the complaint has come to me for 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 can understand that dealing with the claim following the loss of his car has been a frustrating and stressful experience for Mr M. Since the Investigator gave his view, I can see that matters have moved on.

In summary, Mr M has accepted AA's settlement offer for the loss of his car and he's been paid a claim for the loss of his car's contents. AA has raised a complaint for the communication issues Mr M had with his previous claim. And Mr M has raised a further complaint that AA didn't tell him that accepting its settlement as an interim offer wouldn't prejudice his complaint. So I'll not consider these concerns further.

AA said Mr M hadn't disclosed a previous motoring conviction when he took out his policy and Mr M was unhappy that it then reduced his settlement. The relevant law in this case is The Consumer Insurance (Disclosure and Misrepresentation) Act 2012 (CIDRA). This requires consumers to take reasonable care not to make a misrepresentation when taking out a consumer insurance contract (a policy). The standard of care is that of a reasonable consumer.

And if a consumer fails to do this, the insurer has certain remedies provided the misrepresentation is - what CIDRA describes - as a qualifying misrepresentation. For it to be a qualifying misrepresentation the insurer has to show it would have offered the policy on different terms or not at all if the consumer hadn't made the misrepresentation.

CIDRA sets out a number of considerations for deciding whether the consumer failed to take reasonable care. One of these is how clear and specific the insurer's questions were. And the remedy available to the insurer under CIDRA depends on whether the qualifying misrepresentation was deliberate or reckless or careless.

If the misrepresentation was reckless or deliberate and an insurer can show it would have at least offered the policy on different terms, it is entitled to avoid the consumer's policy. If the misrepresentation was careless, then to avoid the policy, the insurer must show it would not have offered the policy at all if it wasn't for the misrepresentation.

If the insurer is entitled to avoid the policy, it means it will not have to deal with any claims under it. If the qualifying misrepresentation was careless and the insurer would have charged a higher premium if the consumer hadn't made the misrepresentation, it will have to consider the claim and settle it proportionately if it accepts it.

AA thinks Mr M failed to take reasonable care not to make a misrepresentation when he didn't disclose a previous motoring conviction when his policy was renewed. I've looked at the renewal invitation and it asked Mr M to check that all his details, including previous motoring convictions, were correct. This stated, amongst other things:

"Have you or any person who will drive ever been convicted (or have any pending prosecutions) for motoring offences or received any endorsable fixed penalty notices - in the last 5 years?"

Mr M answered "*No*", which was incorrect. Mr M didn't contact AA to tell it of a motoring conviction and points on his licence. And so I agree he failed to take reasonable care not to make a misrepresentation.

AA has provided evidence from its underwriters which shows that if Mr M had not made this misrepresentation it would have charged him a 16% higher premium. I can't share this with Mr M as it's commercially sensitive information. But I'm persuaded this is correct, and Mr M was treated the same as any other AA customer. And this means I am satisfied that Mr M's misrepresentation was a qualifying one under CIDRA.

I also think Mr M's misrepresentation was a careless misrepresentation as this was an oversight. Therefore, I'm satisfied AA was entitled to settle Mr M's claim proportionately in accordance with CIDRA. And – as CIDRA reflects our long-established approach to misrepresentation cases, I think allowing AA to rely on it to settle Mr M's claim produces the fair and reasonable outcome in this complaint.

Mr M thought he'd lost nine months interest because of the late settlement of his claim. But I can't reasonably hold AA responsible for this because I think it offered Mr M a settlement reasonably promptly and he could then have accepted it. I note that Mr M has raised a separate complaint that AA didn't then alert him that accepting this wouldn't prejudice his complaint. So I'll not consider that further here.

AA agreed it had caused a small delay in making its proportionate settlement offer to Mr M and it paid him £50 compensation for the calls he had to make to chase it. It said this hadn't had an impact on Mr M as he didn't then accept the offer. But I think Mr M still had to unnecessarily chase AA and this caused him stress and frustration.

Mr M was unhappy with his premium increase at renewal. It's not for me to interfere with AA's pricing, but I need to see that AA is treating its customers fairly and consistently. We asked AA for a statement from its underwriters to explain how Mr M's premium had been calculated. And it has confirmed that it was calculated correctly. I can see that Mr M had three fault claims in the previous year. This change in his risk and the general uplift we've seen in insurance prices due to inflation and other factors would lead to an increase in premium.

I can't say that the price Mr M received was inconsistent with what we've seen across the market. So I can't say that Mr M hasn't been treated the same as other AA customers or that AA treated Mr M unfairly. But I can't see that AA explained this to Mr M when he raised this concern. And I think this has caused Mr M frustration.

Mr M was unhappy that AA repeatedly misspelled his name. AA said this was the fault of the broker. But I can see that Mr M's name is correctly and incorrectly spelled on AA's file notes and correctly on AA's response to his complaint. And it was incorrectly spelled in a letter. So I think AA should have corrected this error rather than repeating it. And I think this has caused Mr M considerable irritation, especially when he was being penalised for not providing accurate information.

Mr M was unhappy with how an earlier claim had been dealt with. But I think it's for AA to investigate and respond to his complaint, as it's now undertaken to do. So I'll not comment on this further here apart from noting Mr M's frustration that his concerns hadn't been addressed earlier.

Our Investigator recommended that AA should pay Mr M £250 further compensation for the considerable impact of these errors. I think AA's handling of Mr M's claim caused him avoidable frustration over many months. And I think £250 further compensation is fair and reasonable as it's in keeping with our published guidance for where repeated errors over a long period have caused avoidable stress and frustration.

Putting things right

I require AA Underwriting Insurance Company Limited to pay Mr M £250 further compensation for the distress and inconvenience caused by its handling of his claim.

My final decision

For the reasons given above, my final decision is that I uphold this complaint in part. I require AA Underwriting Insurance Company Limited to carry out the redress set out above. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 8 September 2025.

Phillip Berechree
Ombudsman