

The complaint

Mr R has complained that Liverpool Victoria Insurance Company Limited (LV) has unfairly requested the recovery of claim costs it paid to a third party. Mr R held a car insurance policy with LV.

What happened

In February 2023 Mr R allowed a relative who was uninsured to drive his car in a car park. While doing so, they collided with another vehicle (a third party) and caused damage.

LV told Mr R as his relative wasn't insured under his policy for the claim, it would deal with the third party's claim in line with its obligations under the Road Traffic Act (RTA). It sent Mr R a consent form to complete and return, giving LV permission to deal with the claim on his behalf. LV explained that once the third party claim was settled, it would look to recover the claim costs from Mr R.

Mr R didn't return the consent form. But LV dealt with the third party claim as it was obliged to do in line with the RTA. In May 2024 it contacted Mr R to ask for the recovery of the costs of the settled claim.

Mr R was shocked and upset to discover how much he owed. He said he didn't return the consent form, so he questioned its worth as LV had paid the third party claim costs anyway.

Mr R complained to LV, but in December 2024 LV didn't uphold his complaint.

Mr R asked us to look at his complaint. One of our Investigators thought LV's decision to settle the third party claim – without a signed consent form – was reasonable and in line with the policy terms which Mr R accepted when he bought the policy. She found LV had done what it was obliged to do in line with the RTA.

The Investigator thought LV could have done more to keep Mr R updated on the claim. Although this didn't change the outcome, she recommended LV pay Mr R £150 compensation for the distress and inconvenience caused.

LV accepted the Investigator's recommendation. Mr R accepts what the Investigator has said. But he says he will find it difficult to repay LV for the claim amount. So he wants an ombudsman 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.

LV has relied on the following term set out under Mr R's policy when deciding not to cover the claim:

"Driving and use

This insurance won't apply if any car your policy allows you to drive is being driven and/or used with your permission:

- other than when in line with your certificate of motor insurance and/or your personal details;*
- by anyone that's not named on your certificate of motor insurance and/or your personal details"*

"Where we're required to make a payment in such circumstances, we reserve the right to recover any such payments from you or the driver of your car at the time of the accident."

As the person who was driving when the damage happened wasn't insured by LV under Mr R's policy, the claim costs are not covered.

I've no doubt that receiving notice from LV of the amount owed under the claim was not something Mr R wanted to receive. However, I can see that LV made Mr R aware that it would look to recover the third party claim costs from him when it wrote to him on 11 February 2023. LV wrote;

"When an insurance certificate is in force, as insurers under the Road Traffic Act, we must meet claims from third parties, subject to liability and/ or where there is a court judgment in their favour.

To avoid the other party taking out legal action against you, please sign a copy of the consent form enclosed and send back to us so we can deal with this claim for you. Once the claim is settled we will then contact you so you can then repay our costs.

To help you understand this document and the implications of this matter we recommend you seek independent legal advice."

Mr R didn't return the consent form. But that doesn't mean LV didn't have to deal with the third party claim. It was obliged to do so under the Act which ensures people who incur loss or damage as a result of an uninsured driver have access to recourse for something that isn't their fault. And LV's policy has a very common term which allows it to take over the defence and settlement of a claim. This means it can make a decision Mr R doesn't agree with, but the policy allows.

I agree that extended periods of time passed without LV updating Mr R. Although LV settled the third party claim in May 2023, it didn't advise Mr R until May 2024. LV told him it had settled the third party's claim and asked him to contact it. In May 2024 Mr R discussed the amount he owed and he said he would consider a repayment plan suggested by LV. Mr R then complained, but didn't hear from LV. So he complained again in October 2024.

LV apologised for at times failing to update Mr R. But it didn't award compensation for the distress and inconvenience caused. For the lack of updates to Mr R about the claim, I think a fair compensation award is £150.

By settling the claim the way it did, I find that LV has treated Mr R fairly and as it would any other customer in the same circumstances. As the claim wasn't covered under the policy, which Mr R seems to accept, LV is entitled to recover the costs of the claim from Mr R.

I can see that LV is open to discussing ways to repay, so Mr R can reach an agreement with LV as to how he does that.

My final decision

My final decision is that I uphold this complaint in part. For the lack of updates during the claim, I require Liverpool Victoria Insurance Company Limited to pay Mr R £150 compensation for the distress and inconvenience caused.

Liverpool Victoria Insurance Company Limited must pay the compensation within 28 days of the date on which we tell it Mr R 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.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 23 October 2025.

Geraldine Newbold
Ombudsman