DRN-5706762

## The complaint

Mr S complains about Admiral Insurance (Gibraltar) Limited (Admiral) settling a claim from a third party following an accident and increasing the renewal premium on his motor insurance policy. Mr S considers the claim costs to be inflated, if not fraudulent.

References to Admiral in this decision include their agents.

In bringing his complaint to this Service, Mr S was supported by a representative (his father, who held the multi-vehicle policy). References to Mr S include his representative.

## What happened

Mr S (the father) had a multi-vehicle motor insurance policy with Admiral. One of the vehicles was insured in the name of his son, Mr S. In June 2023, Mr S (the son) was involved in an accident in which there was a minor collision at low speed with a third party vehicle in a car park. Mr S said the other driver said at the time the damage to their vehicle was also minor and so wasn't sure they would make a claim.

Mr S told Admiral about the incident, saying he didn't wish to make a claim for the damage to his vehicle, which he thought minor. Admiral advised Mr S it was likely to be a fault claim from his description of the accident, which meant they would either offer services to the third party or consider an outlay on costs from their insurer. However, a claim was subsequently received from the third party, through a claims management company (W), for repair of the damage to their vehicle and hire car costs.

Mr S didn't hear anything more until Admiral advised him they'd closed the claim with total costs of £20,074. Mr S was extremely unhappy that Admiral had settled the claim at such a value, which he considered far in excess of the damage a low-speed collision would have caused. He was also unhappy his renewal premium had increased (by £83.60). Nor had Admiral kept him informed of what was happening during their assessment of the claim, until after the claim was settled. He'd chased for updates and been promised callbacks, which didn't happen.

Admiral upheld most of Mr S's complaint. In their final response, issued in September 2024, they awarded £200 for distress and inconvenience. On the issues raised, Admiral accepted there had been a lack of communication and Mr S had to chase for updates, and they hadn't made call backs when promised. Admiral apologised, saying the service received by Mr S was unacceptable. When Mr S logged his complaint, he received an automated email to say someone would be in contact within five working days, but this didn't happen,
On the issue of the increase in premiums, they didn't uphold that aspect. Admiral said all accidents, regardless of fault or whether a claim was pursued, would add to the risk in providing insurance. This unfortunately sometimes led to an increase in premium. When calculating renewal premiums, Admiral said they used many items of information, to ensure they were charging a fair price. This included claims history and Admiral said they were still investigating the claim and awaiting correspondence from the relevant teams.

Admiral also didn't uphold the point about the cost of the claim being over £20,000 when there was only minor paint damage to Mr S's vehicle and on the third party vehicle. Having reviewed the claim, Admiral confirmed the costs were over £20,000 and this wasn't an error. The third party had gone through W for repairs to their vehicle, who provided an independent assessor's report which included invoices for repairs and hire car costs. Admiral said they had no reason to disbelieve the costs and so didn't dismiss them. They followed their protocol in such situations and paid the costs. However, given the concerns raised by Mr S, Admiral had made a referral to their fraud team to investigate. They would contact him in due course to discuss the matter.

Mr S then complained to this Service. He thought it unfair Admiral had settled the claim (for over £20,000) They'd referred the claim to their fraud department, but they hadn't changed their recording of the claim as 'settled' and charged him a higher premium. He wanted full transparency on the claim Admiral paid out. He also wanted record of the claim as 'settled' to be removed and a refund of the additional premium he'd been charged (and any future premium unaffected) pending the outcome of Admiral's fraud investigation. He didn't think it fair he'd suffered as a result of suspected fraud.

Our investigator didn't uphold the complaint, concluding Admiral didn't need to take any action. He thought it wasn't in Admiral's interests to pay out more than was necessary for the third party claim, as the costs were non-recoverable, and Admiral wanted to minimise costs as far as possible. Admiral assessed and agreed the third party costs and their engineer team verified the costs, which were supported by an independent engineer's report. The costs had subsequently been re-reviewed by Admiral's fraud team and no issues noted. The costs included equivalent hire car costs while the third party vehicle was being repaired. The investigator noted the policy terms provided for Admiral to investigate, defend and settle any claims, including those from third parties. The investigator concluded Admiral made a reasonable decision to settle the claim at the agreed cost, based on the evidence available.

On the increase in renewal premium, Admiral provided evidence on their calculation of the premium following Mr S''s claim, based on it being determined to be a fault claim. Having reviewed the evidence, the investigator concluded Admiral had fairly calculated the premium. On the communication and service provided to Mr S, the investigator concluded there were instances off poor communication and service throughout the claim. Considering these failings, the investigator concluded the £200 awarded by Admiral was fair and reasonable and in line with the approach of this Service.

Mr S disagreed with the investigator's view and asked that an Ombudsman review the complaint. He challenged whether Admiral's assessors had linked the damage being claimed for to the incident and not to another incident the vehicle may have been involved in. He thought there was a disconnect between the damage to the third party compared to what he considered the disproportionate sums paid out by Admiral. He wanted a copy of the engineer's report supporting the third party claim and thought Admiral, in exercising its rights to settle the claim, had no reason to withhold the report. Without sight of the report, he couldn't agree the outcome of his complaint was fair. In a call with Admiral they indicated the damage repaired was far more than the damage reported at the time of the accident. No-one had explained to him the disconnect between the low speed circumstances of the incident and the claim cost. He suspected there was a subsequent accident involving the other vehicle, with the damage being attributed to the earlier accident.

He also noted there were witnesses in the vehicle at the time of the incident, but at no time had Admiral contacted him for their details, so they could provide details of the damage caused. And despite the matter being referred to Admiral's fraud department, they didn't carry out a proper investigation. And the third party driver's initial reaction was the damage was so minor he probably wouldn't claim for it. So, he believed the third party claim was fraudulent, for which he was suffering the consequences. He also disputed liability had been accepted, as causation had not been proved. That it, the loss claimed for was the result of the incident.

In my findings, I concluded Admiral hadn't acted unfairly or unreasonably in settling the third party claim, though I wasn't persuaded they couldn't have settled at a lower amount because of an issue with the credit hire rates claimed by the third party.

On the recording of the claim as settled and the impact on Mr S's premium, then I concluded as the claim had been deemed a fault claim against Mr S, this would have been considered in any renewal premium. On the detail of Mr S's complaint, the issue was the £83.60 increase in the premium. This is in the context of the incident and its designation as a fault claim. Admiral provided pricing information to support the increase, including the relevant rating factors. I reviewed the data, and was satisfied it was consistent with the increase and that Mr S wasn't treated any differently than any other customer in similar circumstances. So I concluded Admiral acted fairly and reasonably.

On Admiral's handling of the claim, lack of communication and engagement, Admiral accepted there were shortcomings and evidence supported that conclusion, so I didn't think Admiral acted reasonably in these matters.

On Admiral not being transparent about the claim, its costs and their settlement of it, I agreed Mr S was only provided with the overall settlement amount for the claim. Which may have led him to think the repair costs were excessive. But the costs were supported by invoices and detailed engineer reports on repair costs, so I didn't think Admiral acted unfairly or unreasonably.

Mr S also disputed liability was established, as causation hadn't been proved. Again, the evidence supported the costs claimed for, including repair costs, which would indicate the loss claimed for was a result of the accident. Mr S says he suspected there may have been a separate accident, but he didn't provide any evidence to support this statement.

While reaching these conclusions, I also considered my conclusion that Admiral settled the claim at a higher amount than they could have done, because of the points about the credit hire agreement. While it's not possible to estimate the impact on Mr S (and his premium) I do think it would have had some detrimental impact. In the circumstances, I thought it would be reasonable for Admiral to pay an additional £100 compensation for distress and inconvenience, in addition to the £200 they awarded, making a total of £300.

Because I reached different conclusions to those of our investigator, I issued a provisional decision to give both parties the opportunity to consider matters further. This is set out below.

*What I've provisionally 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.*

*My role here is to decide whether Admiral have acted fairly towards Mr S.*

*Mr S's complaint contains several elements. Taking them in turn, first, there's Admiral's decision to settle the third party claim, at a level which Mr S believes is excessive and doesn't reflect the minor, low speed collision involved. He believes the claim may also be fraudulent and the damage covered in the claim may have occurred in a separate incident. Second, there's the recording of the claim as 'settled' and the consequent impact on his* *premium, which he thinks unfair and should be refunded. Third, there's Admiral's handling of the claim and lack of communication and engagement, meaning he only found out they'd settled the claim sometime after the event. And Admiral hadn't been transparent about the claim, its costs and their settlement of it.*

*Nor had Admiral contacted potential witnesses to the incident or carried out a proper investigation into the claim. Mr S also disputes liability has been established, as causation (the loss claimed for being the result of the incident) hadn't been proved.*

*Turning to the first issue, the terms of the policy (as they do in most motor insurance policies) to defend and settle claims, including those from third parties, following an incident. The specific policy terms are set out in the General Conditions section of the policy, under a heading Defending or settling a claim which states:*

> *"We are entitled to:*
>
> - *Conduct the investigation, defence and settlement of any claim on your behalf…"*

*So, Admiral have discretion over settlement of claim, including those brought by a third party. In this case, a claim was made for costs incurred by the third party through a claims management company (W).*

*The circumstances of the accident meant Admiral held Mr S liable for the incident, in which situation they had to assess the costs of the claim brought by W. Having looked at the evidence supporting the claim made by W, it includes an engineer's report on the repair of the damage to the third party vehicle, including a detailed breakdown of estimated repair costs to include labour, paint and parts as well as the repairs required. The report also includes photographs of the third party vehicle and the damage for which the repair costs are being claimed. Admiral would have been able to assess the repair estimate, including the detailed description of the repairs required, against the photographs included in the report. They concluded they were consistent with the circumstances of the accident, and from what I've seen I don't think there are grounds to conclude their decision unfair or unreasonable.*

*What is worth noting – and may help Mr S's understanding of the costs - is that the repair element is actually a small minority of the overall claim costs of £20,074.32. As I understand Mr S has only been provided with the overall figure, I can appreciate why he thinks the costs are excessive for what was a minor, low-speed collision, if he's assumed the claim costs were entirely, or predominantly, repair costs of the third party vehicle. But they aren't.*

*The bulk of the claim costs are actually hire car costs for the third party of an equivalent vehicle to their own. The hire car was provided to the third party under a credit hire agreement. The nature of the agreement is that it covers the provision of a hire car where the third party isn't responsible for an accident and needs a hire car whilst their vehicle is being repaired. The costs of the agreement are then recovered from the insurers of the party held responsible for the accident, which in this case would be Admiral and Mr S respectively. As well as the credit hire agreement, an invoice for the actual hire car period was provided as part of the claim made by W.*

*Looking at the credit hire agreement provided by W, the daily hire rates for the vehicle provided to the third party are significant (and there are additional daily charges for collision damage waiver and cover for glass and lights) Generally speaking, credit hire rates are substantially higher than normal hire rates because there is no upfront payment. This can mean credit hire claims can become very expensive. The Association of British Insurers (ABI) has introduced the General Terms of Agreement (GTA) which set agreed service* *standards and charges for the credit hire industry on an opt-in basis, including maximum daily rates for different vehicle groups.*

*Looking at the GTA rates for the type of vehicle hired by the third party, the rates are substantially less than the actual rates in the credit hire agreement. That is, even allowing for Admiral negotiating a settlement less than that claimed by W, the implied car hire rates are more than the GTA rates. Which suggests Admiral paid more than the GTA rates would indicate, had they been applied. It's for Admiral to decide how to settle a claim, but they appear to have paid more than they could have done for the car hire element, so the claim costs were higher than necessary (although an exact figure isn't possible to estimate from the information available).*

*In those circumstances, the cost of the claim being higher than it should is likely to have had an impact on Mr S's premium, although again it's difficult to estimate how much of an impact. It's likely that the greater impact comes from the fact of a fault claim against Mr S, rather than the quantum at which the claim was settled.*

*It's worth noting that the repair costs for the third party vehicle, included in the engineer's report, were also included in a separate credit repair agreement, which operated in a similar way to the credit hire agreement. That is, the costs would be claimed from Admiral, as the insurer of Mr S's vehicle.*

*I've also noted that the overall claim costs submitted by W, including repair and hire car costs as well as other costs associated with the claim, were substantially higher than the figure which Admiral actually settled the claim, indicating a process through which a settlement figure was arrived at from that initially claimed by W. While I recognise the concerns expressed by Mr S about the size of the claim settled by Admiral, it is supported by evidence and that they were able to negotiate a reduction. It also wouldn't be in Admiral's interest to settle a claim at a higher figure than that they considered necessary, given they wouldn't be able to recover any of those costs.*

*Taking all these points together, I don't think Admiral acted unfairly or unreasonably in settling the third party claim, albeit I'm not persuaded they couldn't have settled at a lower amount because of the issue I've set out above about the credit hire rates claimed by the third party..*

*Moving on to the second issue, the recording of the claim as settled and the impact on Mr S's premium, then as the claim had been deemed a fault claim against Mr S, this would have been considered in any renewal premium.*

*In doing so, I would note that a customer may expect a simple explanation for a price increase like Mr S experienced. But for an insurer, there may be many variables to consider when setting a premium – including their own commercial requirements. And we generally take the view that, providing they treat people fairly - that is they treat customers with similar circumstances in the same way - insurers are entitled to charge what they feel they need to in order to cover a risk. I think it important to mention it's for a business to decide what risks they're prepared to cover and how much weight to attach to those risks - different insurers will apply different factors.*

*Turning to the detail of Mr S's complaint, the issue is the £83.60 increase in the premium. This is in the context of the incident and its designation as a fault claim. Admiral have provided extensive pricing information that supports the £83.60 increase, including the relevant rating factors. I've reviewed the data, and I'm satisfied it is consistent with the increase and that Mr S hasn't been treated any differently than would any other customer in similar circumstances.*

*So I've concluded Admiral acted fairly and reasonably.*

*The third issue is Admiral's handling of the claim, lack of communication and engagement, meaning Mr S only found out they'd settled the claim sometime after the event. Admiral accept there was a lack of communication and Mr S had to chase for updates. They hadn't made call backs when promised. And when Mr S logged his complaint, he wasn't contacted within five working days. The evidence I've seen supports these conclusions, so I don't think Admiral acted reasonably in these matters.*

*On Admiral not being transparent about the claim, its costs and their settlement of it, I agree Mr S has only been provided with the overall settlement amount for the claim. Which, as I've set out above, I think may have led him to think the repair costs were excessive. But as I've set out, the costs were supported by invoices and detailed engineer reports on repair costs. Mr S refers to a call in which he says he was told the repair costs were far in excess of the damage reported at the time of the accident. I've seen no evidence to support this point and given my conclusion about the repair costs being supported by a detailed engineer's report and estimate, I don't think Admiral have acted unfairly or unreasonably.*

*On the point about Admiral contacting potential witnesses to the incident , as I understand it these are passengers in Mr S's vehicle at the time of the accident. But as such they wouldn't have been considered independent, so it wouldn't have changed Admiral's view on liability for the incident.*

*Mr S also disputes liability has been established, as causation (the loss claimed for being the result of the incident) hadn't been proved. Again, the evidence I've referred to does support the costs claimed for, including repair costs, which would indicate the loss claimed for was a result of the accident. Mr S says he suspects there may have been a separate accident, but he's not provided any evidence to support this statement and there's no evidence to support his assertion.*

*While reaching these conclusions, I've also considered my conclusion that Admiral settled the claim at a higher amount than they could have done, because of the points I've set out about the credit hire agreement. While it's not possible to estimate the impact on Mr S (and his premium) I do think it would have had some detrimental impact. In the circumstances, I think it would be reasonable for Admiral to pay an additional £100 compensation for distress and inconvenience, in addition to the £200 they awarded, making a total of £300.*

*My provisional decision*

*For the reasons set out above, it's my provisional decision t to uphold Mr S's complaint in part. I intend to require Admiral Insurance (Gibraltar) Limited to:*

- *Pay an additional £100 compensation for distress and inconvenience, on top of the £300 they awarded, making a total of £300.*

Mr S responded to make several points. On Admiral's decision to accept liability and settle the claim brought by W, He said Admiral did not have all the available evidence. The engineer's report didn't include photographs so it wasn't clear the damage was caused by the incident. He also says that in a call with Admiral he was told the damage claimed for and pictures did not correlate with the description of the incident, so the matter was being referred to Admiral's fraud department. But he never heard anything more in this respect. Mr S also maintained his view that Admiral had not established causation (that the incident caused the damage claimed for). Given this, Admiral should have had regard to witness evidence, who he said were all independent, non-relations.

On his suspicion there may have been a separate accident causing damage to the third party vehicle, Mr S said this was due to the lack of evidence of causation and lack of transparency from Admiral. And where fraud was suspected, all aspects of that [potential] fraud should be put on hold pending the outcome of the fraud investigation.

Admiral accepted the provisional 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.

My role here is to decide whether Admiral have acted fairly towards Mr S.

I've considered the points raised by Mr S.

On the point that Admiral didn't have all the available evidence, it's a decision for Admiral on the evidence presented to support a claim, including those from third parties. While the engineer's report didn't include photographs, it did include a detailed description of the repairs needed and the associated cost. So, the repair costs were supported (being just under a quarter of the settled claim costs). So, I don't think it was unreasonable for Admiral to exercise their ability under the policy to settle claims.

Mr S also says that in a call with Admiral he was told the damage claimed for and pictures did not correlate with the description of the incident, so the matter was being referred to Admiral's fraud department. Again, whether Mr S was told this doesn't detract from this ultimately being a decision for Admiral to take, including whether their fraud department would want to pursue the issue, if they thought there was sufficient evidence to do so. It isn't the role of this Service to assess and determine claims, including whether there is fraud or whether Admiral should have pursued this line.

Mr S also maintains Admiral have not established causation (that the incident caused the damage claimed for). I considered this in reaching my provisional conclusion and Mr S hasn't provided new evidence that would lead me to change my conclusions on the issue.

Similarly, on whether Admiral should have had regard to witness evidence, who he says were all independent, non-relations, this doesn't change the fact they were passengers in Mr S's vehicle and therefore wouldn't be considered independent (as would, for example, witnesses who weren't passengers in either vehicle and had no connection to either party)..

On his suspicion there may have been a separate accident causing damage to the third party vehicle, Mr S said this was due to the lack of evidence of causation and lack of transparency from Admiral. So, Mr S is making an assumption that because he doesn't believe the damage claimed for was caused by the incident, it must have been caused in a separate accident. I'm not persuaded by the logic in this line of reasoning an, as I said in my provisional decision, he hasn't provided any evidence in support of this assertion.

On the point of where fraud was suspected, all aspects of that [potential] fraud should be put on hold pending the outcome of the fraud investigation, this would have been an issue for Admiral to determine. Had they thought there was fraud, or suspected fraud, they would have been able to challenge the claim costs or – if necessary – seek to recover any costs already settled. And as I noted in my provisional decision, the third party claim costs had subsequently been re-reviewed by Admiral's fraud team and no issues noted.

Taking all these points together, I haven’t changed my mind on the conclusions set out in my provisional conclusion.

**My final decision**

For the reasons set out above, it’s my final decision t to uphold Mr S’s complaint in part. I require Admiral Insurance (Gibraltar) Limited to:

- Pay an additional £100 compensation for distress and inconvenience, on top of the £300 they awarded, making a total of £300.

Admiral Insurance (Gibraltar) Limited must pay the compensation within 28 days of the date we tell them Mr S accepts my final decision. It they pay later than this they must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr S to accept or reject my decision before 29 August 2025.

Paul King
**Ombudsman**