

The complaint

Mr W complains Liverpool Victoria Insurance Company Limited (LV) settled a claim on his motor insurance policy without his permission. And after his policy was cancelled, it unfairly charged him for the remaining term of the policy and passed an outstanding amount to a debt recovery company without notice to himself.

What happened

A third-party insurer made a claim on Mr W's motor insurance policy after a minor collision on the motorway. Mr W said he didn't want to pursue a claim for his own vehicle and he'd resolved it at his own cost.

LV settled the claim from the third-party and recorded the incident as Mr W's fault. Mr W was unhappy because he said he had told LV not to proceed with a claim. He said the incident was not his fault.

Mr W cancelled his motor insurance but didn't pay the outstanding policy premiums due. As the outstanding amount due wasn't paid it was passed on to its debt recovery company. Mr W said he received no late payment notices, or default letters.

Because Mr W was not happy with LV, he brought the complaint to our service.

Our investigator didn't uphold the complaint. They looked into the case and said LV acted in line with policy terms when it responded to the third-party claim and settled it. They also said it was entitled to charge the remaining annual premium because a claim had been made.

As Mr W is unhappy with our investigator's view the complaint has been brought to me for a final decision to be made.

What I have 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.

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Liability

It's important I make it clear that it's not my role to decide who's at fault for an accident, as ultimately that's a matter for the courts.

Within the general conditions in the terms and conditions of Mr W's policy it says;

"Accident and claims procedure

We're entitled to:

• *have total control to conduct, defend and settle any claim;* “.

This means, like all motor policies, Mr W’s policy allows LV to settle claims as it sees fit. That means it doesn’t require Mr W’s consent to decide how to settle a claim and it may make a decision that he doesn’t agree with. But I’ll look to see that it’s done so reasonably.

I understand Mr W feels that LV invited the claim from the third-party but it disputed this. I saw in September 2024 the third-party insurer contacted LV to verify Mr W’s involvement in the incident and request its stance on liability. It provided dashcam evidence of the incident. I saw this shows contact between the two vehicles. I also saw Mr W provided a statement about the incident in which he describes changing lanes to move into a gap in the next lane. LV said the other driver was correctly proceeding in his lane and the responsibility is on the person changing lanes to do so safely. In this case Mr W had changed lanes. It also said the damage claimed for by the third-party matched the impact area shown in the dashcam footage.

I recognise Mr W said the third-party driver told him the damage to their vehicle was pre-existing, however unfortunately there is no evidence to support this.

LV explained it made its decision to accept liability based on its review of the dashcam footage and Mr W’s statement. And it considered the expected outcome if the claim were to go to court.

Based on the evidence available, I am persuaded LV made a fair decision to accept liability for the incident.

Policy cancellation

Mr W spoke with LV in November 2024 about cancellation of his policy. He was told there was an outstanding balance of £416.77 of which he disputed. LV explained the full policy premiums were due to be paid because of the third-party claim on his policy. It told him any cancellation fees would be waived and the policy would be ended.

I looked at the terms and conditions of Mr W’s policy and in the general conditions section it says;

“Your rights to cancel your insurance

You can cancel your insurance cover at any time. We’ll refund any money you’ve paid minus a charge for the time you’ve been on cover and a cancellation fee if it’s after the first 14 days. If you’ve made a claim then no refund will be paid. If you pay monthly, you must still pay us the full balance of your annual premium.”

This isn’t an usual term. I’m satisfied no refund was due on Mr W’s policy premiums in this case.

I saw a letter was sent in December 2024, advising Mr W that his monthly payment had been missed. And a further letter was sent on 2 January 2025 informing him he was in default of his credit agreement. On receipt of this letter Mr W contacted LV and requested his policy be cancelled. This was completed and backdated to 20 November 2024 as he had previously requested. It agreed to waive the cancellation fee. Another letter was sent confirming cancellation and included there was an outstanding balance of £303.59 to be paid within the next seven days. The letter said If payment wasn’t received within seven days it would pass his details onto a debt collection agency who would contact him to collect the money on its behalf. It warned this may affect his credit score.

Because payment wasn’t received LV sent the debt to its debt collection agency.

I'm satisfied that LV were clear to Mr W of the reasons why the full policy premiums were due, even though he wanted to cancel his policy mid-term. I recognise Mr W incorrectly understood that no further payment was due after the policy was cancelled in January 2025 with a retrospective cancellation date of November 2024. Mr W said he didn't enter into a separate credit agreement for the outstanding amount, however it wasn't a separate agreement it was the credit agreement he made at the start of his policy. Cancellation of his policy and direct debit did not cancel the credit agreement. The outstanding amount was still due.

I am sorry to hear this has negatively impacted Mr W's credit score and this in turn has impacted his business life causing stress and anxiety. However I'm satisfied that LV explained there was an outstanding amount due and provided him with adequate warnings of the consequences of not settling this.

Therefore, although I understand he will be disappointed I don't uphold Mr W's complaint and don't require LV to do anything further in this case.

My final decision

For the reasons I have given I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 15 October 2025.

Sally-Ann Harding
Ombudsman