

## The complaint

A limited company, which I will refer to as C in this decision, has complained about the handling of a claim under its commercial vehicle insurance policy by certain underwriters at Society of Lloyd's.

Mr C, as a director of C, has brought the complaint on its behalf.

## What happened

In July 2025, one of C's employees reported an incident while driving a van insured under C's policy with the underwriters. The driver said he had been stationary in traffic when the car in front started to move forward, so he followed suit but after a short distance the car in front braked sharply and the cars made contact. C's driver says the speed would have been no more than 2mph.

The third party submitted a claim to C's underwriters, via a claims-management company rather than their own insurer, for damage to their car and for the cost of a hire car for nine days. Later the driver and passenger both also submitted a claim for injuries they say they suffered, stating the collision had been at 20mph.

The underwriters settled the cost of the repairs of over £7,000 and hire car costs of £2,765. The underwriters questioned the claim for injuries, given the discrepancy about the speed of the collision and a lack of medical evidence. The underwriters did not consider it was plausible that the collision was enough for the third party to have received the injuries claimed. However, the underwriters nevertheless offered £495 each for tariff injuries (set for whiplash of 3 to 6 months duration, up to May 2025) plus fees, so a total of £1,518.

C is very unhappy about the handling of the matter. C says the damage and personal injury claims were significantly exaggerated and should not have been paid. C says the underwriters did not get an engineer to consider the repair evidence provided by the third-party before agreeing to pay it. C says that as a result, its premium at renewal went up by 50%. It says if the costs claimed by the third party had been properly challenged the increase would have likely been below 20%.

The underwriters do not accept they did anything wrong. The underwriters say there were not sufficient grounds to resist the claim on the basis it was fraudulent or staged and while they did not get an engineer to review the repairs claimed for, it was reasonable to agree to pay them in full in order to minimise the rising credit hire cost. And given the acceptance of the vehicle damage part of the claim, they had little ground to defend the injury claim. The underwriters say they negotiated the injury costs and credit hire costs down, so did exercise their discretion reasonably.

The underwriters also say that C's premium would be impacted anyway because there was a fault claim registered on its record – there had been a collision and its driver had gone into the back of the other vehicle, so he was at fault. The underwriters also say that the cost of a claim would be only one of many factors taken into account when calculating premiums, so it is unlikely to have had a significant impact on C's renewal premium.

As C remains unhappy with the underwriters' response, it referred the complaint to us.

One of our Investigators looked into the matter. He said the repairs had been completed before the underwriters agreed to pay the costs as claimed, so credit hire costs could not have been a factor in that decision. The Investigator also said that the underwriters' internal notes show that it had doubts about the veracity of the claim but it did not carry out any review of the repair costs. And the repair costs estimate provided by the third-party was carried out as a desk-top report, so the car was not examined by them either. Overall, the Investigator didn't think that the underwriters had considered the claim reasonably and said they should have investigated the repairs costs further and given they thought the injury claim was exaggerated, should then have refused the whole claim. He therefore recommended that the claim be recorded as a non-fault accident. The Investigator also recommended the underwriters pay C £150 compensation.

The underwriters do not accept the Investigator's assessment. They say that the threshold for proving fraud is high and there is no evidence that they would have been able to establish fraud by the third-party. The underwriters have also said that their engineers have retrospectively looked at the evidence and said the repairs would have cost £5,516.81, including VAT. If they had not settled early on, the hire costs would have increased and the claim would have cost it more. They have also provided an email from their internal solicitor stating that unless C's driver was disputing liability entirely, it would not be a case they would consider pursuing as an induced accident.

The underwriters have also said that they cannot record the incident as non-fault, as a collision happened that the driver accepted was his fault. They also said that, as it is a fleet policy, it has taken the entire claims history over the past five years into account and, as such, there was a reduction in premium for this period and there are more cars on the policy, which will have affected the overall premium.

The Investigator did not change his mind about the outcome of his assessment, save that he said the underwriters should record that there was no outlay, rather than it being non-fault.

As the Investigator was unable to resolve the complaint, it has been passed to me.

### **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.

While the underwriters have discretion as to how to settle a claim, that discretion has to be applied fairly and reasonably in all the circumstances of the case. They are also under a general obligation to conduct their insurance activities with due care and diligence and pay due regard to the interests of its customer and treat them fairly.

While it is unusual to interfere with an insurer's discretion about how to settle a claim, having considered everything very carefully, I agree with the Investigator that the underwriters did not conduct this claim with due care and diligence and did not exercise their discretion fairly and reasonably. I will explain why.

I accept that in order to prove a claim was fraudulent or that an accident has been staged is a high bar and there would need to be considerations about the likelihood of succeeding in defeating a claim on this basis and any costs involved in doing so should it end up before the courts.

However, it seems that the underwriters paid the repair costs requested without any consideration. As the Investigator has said, the repair estimate provided to the underwriters was a desktop estimate and the photos show a very small mark on the bumper – almost indiscernible - and no other visible damage as far as I can see in any of the photos. It is difficult to see why it was considered reasonable to pay the costs claimed of over £7,000 without further consideration or queries made.

The underwriters have said that it was reasonable to pay the costs claimed, without further query, to stop hire costs escalating, but the repairs had already been completed when the underwriters made the decision to pay the costs. So, as the Investigator pointed out, this cannot have been a consideration in the underwriters' decision to meet the costs.

I also note that the underwriters have said their engineer has retrospectively said the repairs would have cost almost as much as they paid the third-party. However, this is on the basis that it is accepted that all the repairs claimed to have been carried out were indeed necessary as a result of the incident. It is difficult to correlate this with the photos provided and the likely speed of the collision.

I note what the underwriters have said about the difficulty of establishing an accident has been staged. However, even if they did not have sufficient grounds to establish the accident was staged, they still had an obligation to assess if the amount claimed was properly made out. From the evidence provided, the underwriters didn't challenge the repair costs or review them at all and simply agreed them. Therefore, I do not think it conducted this part of the claim with the care and diligence it should have.

I cannot say with certainty what the outcome would have been had the underwriters asked for more evidence to support that the repairs claimed for were necessary as a result of the collision, more evidence about the actual costs claimed for, or indeed refused to pay then entirely. However, I am satisfied they paid those costs prematurely. I also think that if the underwriters had waited and considered these costs with due diligence and care, then it is likely they'd have been able to resist the entire claim. I will explain why.

The third-party provided medical reports for him and his passenger produced following a medical examination with a GP consultant. The examination was two months after the accident and each examination lasted 15 minutes. The reports record that the third-parties said the collision had been at 20mph and moderate damage was done to their car. Both reports stated that they had been found to have various soft-tissues injuries, which would take between a month and several months to fully recover from. The reports also stated that the passenger had attended A and E for her injuries and the driver attended his GP.

The underwriters internal notes show that they had concerns about the personal injury claims and the discrepancy with the reported speed and seriousness of the collision from its understanding that it had been a very low impact collision, and the lack of evidence about medical treatment. However, the underwriters did not ask for any further medical evidence, such as the A & E or GP records. The underwriters did challenge the extent of the injuries, given the superficial damage to the car and understanding it had been low speed, but in the same letter challenging the account of the accident and the injuries claimed for, the underwriters offered the tariff amounts for both the driver and his passenger. As far as I am aware the third-party has not taken any further action to recover any further damages.

Given the underwriters' concerns about the personal injury claims and the obvious discrepancies in the accounts recorded in the medical reports, it is difficult to understand why they offered any payment. The underwriters have said that having settled the car damage part of the claim, it would have been unable to not settle the personal injury claim but I do not agree that this is the logical conclusion. It is entirely possible for there to have

been damage to a car and no injury to an occupant of the car. And if evidence comes to light during the course of a claim that casts doubt on a claim, an insurer is entitled to rely on it. The underwriters again had a duty to consider the evidence provided with due care and diligence and I do not consider that it was reasonable to immediately offer the tariff amounts it did.

Given the inconsistency of the account of the collision and that the underwriters considered that the personal injury claims were exaggerated, it could have sought to resist the entire claim. Again as mentioned, it is impossible to know whether this would have been successful, or whether the underwriters would have had to concede some payment at some stage. However, it missed the opportunity to test this by prematurely settling the damage, hire charges and personal injury claims. I think it prejudiced C as a result.

Given this, I think the fair and reasonable outcome to this complaint is that the underwriters record and treat the claim as having no outlay involved. I note that the underwriters have also said that it makes no difference to the premiums anyway but there is no reliable evidence to support that. I therefore consider it should also review the premium charged since the loss date and refund any additional premium charged as a result of the claim being settled in the way it was. I must make clear I do not know if this review will result on any payment to C.

I also agree with the Investigator that the underwriters should pay C the sum of £150 for the inconvenience caused by this matter.

### **My final decision**

I uphold this complaint and require certain underwriters at Society of Lloyd's to do the following:

1. Record the incident as having involved no outlay on the part of the underwriters; and review the premiums charged since the date of loss accordingly. If it is found that a lower premium would have been charged if the claim had been recorded as having no outlay, rather than having been settled as it was, the underwriters should refund this amount to C.
2. Pay C the sum of £150 for the inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 15 May 2026.

Harriet McCarthy  
**Ombudsman**