

The complaint

Mr N complains that Liverpool Victoria Insurance Company Limited (LV) settled another driver's claim made on his motor insurance policy when it was exaggerated.

What happened

Mr N said he hit another driver's car causing a small scratch. LV accepted liability on his behalf and the other driver's insurer submitted a claim for repairs. This made the car a total loss, and Mr N was unhappy with this as he thought there had been pre-existing damage. He thought LV's payment of the claim had affected his premium at renewal. He was unhappy that LV hadn't discussed the extent of the damage with him.

Our Investigator didn't recommend that the complaint should be upheld. She thought LV was entitled to settle the claim as it saw fit. And she thought it had reasonably relied on an engineer's report to settle the claim. She thought the claim itself, not the amount paid out, was likely to have affected Mr N's premiums.

Mr N replied that both drivers had thought minimal damage had been caused. And he queried why LV had paid the claim without questioning this further. He thought the damage report should have taken into account pre-existing damage. As Mr N didn't agree, his 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 Mr N feels frustrated that LV paid out a claim for over £3,000 when he thought just a few scuffs had been caused to the other driver's car. Our approach in cases like this is to consider whether the insurer acted in line with the terms and conditions of the policy and fairly and reasonably.

As the Investigator has explained, LV is entitled under the terms and conditions of Mr N's policy to take over, defend, or settle a claim as it sees fit. Mr N has to follow its advice in connection with the settlement of his claim, whether he agrees with the outcome or not. This is a common term in motor insurance policies, and I do not find it unusual. Insurers are entitled to take a commercial decision about whether it is reasonable to contest a third party claim or better to compromise.

That said, we expect an insurer to reasonably investigate a claim and consider the evidence available before making its decisions.

Mr N had told LV that he had hit the other car whilst he was reversing into a parking space. And he had left a note on the other car. So liability wasn't in dispute and LV asked the other driver's insurer for its outlay so it could be refunded. Mr N also made a claim for his repairs, and I can see that this contributed to the claim cost.

LV has a responsibility to deal with valid claims, and it's not in its interests to pay out more than it should. So LV needed to ascertain the likely repair costs without incurring further unnecessary costs.

There was no CCTV, dashcam or independent witness evidence available. Mr N said he had taken photographs of the damage caused, but he had unfortunately deleted these. From its file notes, I can see that LV noted that Mr N said the other car had pre-existing damage and he had caused a minimal amount of damage in the incident.

Mr N said both drivers had agreed that minimal damage had been caused, and I have no reason to doubt this. But there's no record of this. And although Mr N emailed this statement to the other driver, he didn't confirm this. So I can't say that this constitutes further evidence that LV should have considered.

So LV relied on the engineers' reports on the other driver's car and Mr N's car. I think it's reasonable for LV to rely on these expert reports. I note that the engineer assessing the other car identified some pre-existing damage and this was excluded from the repairs estimate. LV's engineer then carried out a consistency report comparing the damage on Mr N's car to that claimed on the other car. And he concluded that the claimed-for damage on the other car was consistent with that on Mr N's car and with his version of events.

So I think LV reasonably investigated the claim and then decided to reimburse the other driver's insurer's repair costs. The cost of repairs compared to the value of the older car made repairs uneconomical, and so a total loss settlement was paid. I think this was fair and reasonable and in keeping with the policy's terms and conditions. And so I can't say that LV treated Mr N unfairly.

Mr N was unhappy that the claim had affected his premium at renewal. And I can see that he is now insured elsewhere. But I think LV reasonably explained that, in keeping with standard industry practice, having a claim on your record, whether fault or not, and regardless of its value, is likely to increase the renewal premium. And so I can't say that LV treated Mr N differently to any other customer.

My final decision

For the reasons given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 30 December 2025.

Phillip Berechree
Ombudsman