

## The complaint

Mr S complains Tesco Underwriting Limited (Tesco) unfairly recorded a claim on his motor insurance policy as fault and this was affecting his insurance premiums.

## What happened

In May 2024 Mr S was involved in a collision with a third-party vehicle. He reported the incident to Tesco and his car was considered uneconomical to repair. Tesco paid him a total loss settlement.

The claim remained open, and recorded as fault, whilst Tesco progressed to recover the costs paid to Mr S from the third-party insurer.

In March 2025 Mr S complained to Tesco that the claim was still open and recorded as fault even though the third-party had admitted fault at the scene of the incident. Tesco said it won't close the claim as a non-fault claim because it was still to recover its costs. It said as soon as it has made a recovery his claim would be closed as non-fault.

Because Mr S was not happy with Tesco he brought the complaint to our service.

Our investigator didn't uphold the complaint. They looked into the case and said Tesco hadn't made an error. They said there was evidence of Tesco contacting the third-party insurer and making active steps to progress and close the claim in a timely manner and had taken its dispute with the third-party insurer to court. They understood the situation had an impact on Mr S and that his premiums had increased, but they couldn't say the impact he'd suffered was as a result of an error by Tesco.

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

## What I provisionally said

*The incident happened in March 2024 and Tesco paid Mr S a total loss settlement in May 2024.*

*The third-party insurer accepted liability for the incident and Tesco sent the outlay amount to it towards the end of May 2024. I saw this was the amount paid for the total loss settlement. Tesco received an offer from the third-party insurer but it was lower than its outlay. It is not clear from the evidence provided when this offer was made or how much. However no explanation was provided as to why it was lower. I saw Tesco did question this and because it didn't get any response from the third-party insurer it passed the issue to its solicitors in August 2024.*

*I have seen that Tesco has made proactive attempts to obtain the required settlement funds from the third-party insurer itself and latterly through its solicitors, without success.*

*In March 2025, which is a year after the incident happened, Tesco maintained its position that it still couldn't close Mr S's claim because the third-party insurers still haven't reimbursed its costs. It said it had passed the file to its solicitors who confirmed that although they had received an admission of liability, it had not received the funds. It confirmed its solicitors had issued court proceedings and it awaits to hear from the court. It confirmed as soon as it has made a recovery Mr S's claim will be closed as non-fault.*

*Tesco confirmed to me that its last update from its solicitor was in mid-August 2025. The solicitor said they're still awaiting a hearing date, and this had been chased four times.*

*In this case the fact that Mr S wasn't at fault for the incident is not disputed. The issue is a dispute between Tesco and the third-party insurer regarding the amount Tesco require the third-party to pay to cover its outlay. For that reason, and due to the time elapsed since Tesco and the third-party insurer have been in dispute being more than a year, I think the fair outcome is that the claim is closed without any further delay and recorded as non-fault. An insurer has a responsibility to close a claim in a reasonable time, and I don't think it is reasonable for Mr S to have to wait any longer for Tesco to take the third-party insurer to court. This is an issue between the insurers and Mr S shouldn't be impacted any longer by this.*

*Because the claim is still recorded as open and as fault, this has almost certainly had a negative impact on Mr S's premiums when his policy renewed. Tesco acknowledged this as a temporary effect and explained to Mr S that once his claim is closed, it will re-instate his no claims discount and his policy premium will be recalculated. It said it is possible he would be due reimbursement for any additional premium he had paid.*

*Therefore, I intend to uphold Mr S's complaint.*

*I intend to require Tesco to close the claim and record it as non-fault. I also intend for it to recalculate Mr S's policy premiums based on the claim being non-fault and make any refund due. It should add 8% simple interest to any refund made from the date it was paid to the date it is refunded.*

### **Responses to my provisional decision**

Mr S responded and said; he accepted my decision.

Tesco responded and said;

- It was impossible for the third-party insurer to have sent an outlay email to its solicitors in May 2024 because it hadn't instructed them by this time.
- After negotiation with Mr S, it had increased its initial total loss valuation and whilst it agrees this was reasonable, Mr S benefited from this, so it is only fair that it would take longer for it to negotiate this additional expense with the third-party.
- Its policy book states it requires policy holder co-operation. If it had closed the claim and recovered in the background it would need policyholder agreement of co-operation, and if this was withdrawn it would re-open and close the claim as fault if the lack of cooperation was the cause of it being unable to recover. In addition it said it had court back logs to contend with.
- Regarding the duration that interest would be applied, Mr S went through renewal a month after the accident and there would have been no realistic prospect of the claim having been settled at that stage. The liability admission was received in February 2025 and the policy renewal was due in June 2025 and Mr S didn't renew with it.

## **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.

### ***In response to Tesco's comments***

- I can't see that I made reference to an outlay email from May 2024 in my provisional view. However after revisiting the evidence, I saw the third-party insurer made its specific offer to Tesco in early September 2024.
- A fair valuation doesn't form part of this complaint. The total loss offer was made by Tesco and accepted by Mr S before it was paid to him. I have not seen any evidence that Tesco explained its settlement offer was conditional on the third-party insurer's acceptance of it. Therefore, that Tesco and the third-party insurer are now in disagreement about the outlay, shouldn't have consequence on Mr S.
- A claim cannot be left open indefinitely. The lack of co-operation in this case is from the third-party insurer, not Mr S. Tesco's total loss valuation was accepted by Mr S. I can't see there was anything more required from him after the third-party insurer accepted liability in February 2025. Although I acknowledge court backlogs are out of the control of Tesco, I saw it instructed its solicitors in August 2024 and the third-party insurer provided its settlement offer in September 2024. Court proceedings were not issued until February 2025, so I don't accept court back logs are responsible for all the delay in this claim.
- I agree when Mr S renewed his policy in June 2024 it wasn't realistic for the claim to have been closed at that stage. I accept his renewal premium was calculated with the claim in question recorded as open. And because the claim wasn't closed within this term of cover, Tesco didn't recalculate his policy premiums to reflect a non-fault claim. As I now require Tesco to close the claim as non-fault, I also require it to recalculate the policy premiums from June 2024 to June 2025. Mr S has confirmed he will progress any recalculation for cover with his new insurer.

Based on the evidence/responses I've reviewed; I maintain my provisional decision and I uphold Mr S's complaint.

### **Putting things right**

I require Tesco to close Mr S's claim and record it as non-fault. I also require it to recalculate his policy premiums from June 2024 to June 2025, based on the claim being non-fault, and make any refund due. It should add 8% simple interest to any refund made from the date it was paid to the date it is refunded.

### **My final decision**

For the reasons I have given I uphold this complaint.

I require Tesco Underwriting Limited to close Mr S's claim and record it as non-fault. I also require it to recalculate Mr S's policy premiums between June 2024 and June 2025 based on the claim being non-fault, and make any refund due. It should add 8% simple interest to any refund made from the date it was paid to the date it is refunded.

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

Sally-Ann Harding  
**Ombudsman**