

The complaint

Mr and Mrs A are unhappy that Liverpool Victoria Insurance Company Limited ("LV") didn't fully pursue their claim against a neighbour under their home insurance policy.

What happened

Mr and Mrs A returned home one day to find damage had been caused to their garage wall. Mr and Mrs A's neighbour had caused the damage accidentally when using a mechanical digger during work on their own house. The neighbour left a handwritten note to Mr and Mrs A explaining he'd caused the damage.

As Mr and Mrs A were concerned about the damage and thought it maybe structural, they decided to make a claim to LV against their home insurance. Mr and Mrs A paid the excess on the policy to progress the claim, but expected it to be recovered once the claim was settled by his neighbour.

After investigating the claim, LV took the decision to drop the claim against Mr and Mrs A's neighbour. It said *"I am sorry to inform you that the recovery against your neighbour has unfortunately been discontinued. As you may recall, it eventually transpired that [your neighbour] was also insured with LV, and the matter was referred to LV's liability department in August. My colleagues have recently informed me that [your neighbour] has not responded to any of their attempts to communicate with him, and as such they are unable to deal with the matter on his behalf or to accept liability for the damage to your property. I have closed LV's recovery file accordingly. I appreciate this outcome may come as a disappointment, but as I've mentioned previously this does not prevent you from attempting to recover your £350 policy excess direct from [your neighbour] should you wish to do so"*.

Mr and Mrs A are unhappy and don't see the point of having insurance, if the insurer gives up on pursuing the claim. Mr and Mrs A think it's unfair. As LV couldn't contact Mr and Mrs A's neighbour, Mr and Mrs A feel they've unfairly had to pay an excess on the policy and their insurance record shows they've had a claim, which has caused their premiums to increase.

Our investigator decided not to uphold the complaint. He thought LV tried to recover the outlay and excess, but abandoned recovery when it couldn't get hold of Mr and Mrs A. He said LV was allowed to do this under the policy. Mr and Mrs A disagree, so the case has been referred to an ombudsman.

My provisional decision

In reviewing the responses provided and having taken time to listen to expert advice from within our service on how to approach this case, I've concluded I have not reached the correct outcome in my original provisional decision (issued on 13 August 2025). I'd like to apologise to Mr and Mrs A for falsely raising their hopes, but unfortunately, I don't intend to uphold this complaint. I explained why I reached this changed outcome in my provisional decision I issued on 16 September 2025. In this provisional decision, I said:

I can understand why Mr and Mrs A are frustrated with the outcome they received on their claim. However, Mr and Mrs A have chosen to make a claim, and the policy terms are clear in setting out the first part of the excess is to be paid under the circumstances of any claim. The policy states *"If your personal details shows that you have to pay an excess, this is the amount you must pay as the first part of any claim. The limit of cover will be applied after payment of any excess"*.

I've observed the call agent's notes from when the claim was made in May 2024. Mr and Mrs A were advised that the excess had to be paid to initiate the claim, but it would be refunded if LV was able to make a full recovery of its costs. I can see notes from at least two calls where Mr and Mrs A's expectations were managed to this effect. Furthermore, when the recovery was looking unlikely LV kept Mr and Mrs A informed of the situation.

I don't think LV were unfair in not refunding the policy excess. It has followed its policy, and it was unable to recover its loss. Rightly, LV set out Mr and Mrs A's opportunity to use the legal expenses cover to recover any uninsured losses.

LV said with Mr and Mrs A being involved in an incident with their home / making a claim, their premiums would be at risk of increasing. Insurers base the level of premiums based on several factors, some of which relate to the claims history / incident history of the insured. By making a claim, LV see the insured (Mr and Mrs A) as a higher risk, therefore, I don't think it would be unreasonable to expect the premiums to increase in the circumstances of the insured's risk profile changing. So, I don't think LV has been unfair here.

LV settled the claim in line with the policy terms, which was their responsibility under the policy. So, I think it has fulfilled its responsibilities fairly.

LV shared evidence of the numerous times it tried to contact the third-party (neighbour) in relation to recovering the monies it had paid in settling the claim. I've checked the policy, and it states *"we're entitled to: have total control to conduct, defend and settle any claim; and take proceedings, in your name or in the name of any other person claiming under this insurance, at our own expense and for our own benefit to recover any payment we've made or to pursue a claim for damages"*.

LV settled the claim. The recovery of the insurer's losses is separate to this and as LV has set out, it is for their benefit, as stated in the policy terms. I can see it didn't abandon the claim without trying to recover the losses. I can see it tried to pursue the third party or third-party insurer on at least 8 times. So, I think it did try to recover the losses. If it had recovered them, Mr and Mrs A would've had their excess refunded. But unfortunately, it couldn't so it also wasn't able to refund the excess. As I've explained, LV had managed Mr and Mrs A's expectations on this early from the moment the claim was made.

In summary, I think LV has followed the kind of process our service would expect. Whilst I appreciate this will be disappointing for Mr and Mrs A, I don't intend to uphold this complaint. Based on the submissions I've received and the expert advice I've take, I don't think LV has done anything wrong.

Responses to my provisional decision

LV accepted my provisional decision, and it didn't have any new information to add.

Mr and Mrs A didn't agree with my provisional decision that I issued on 16 September 2025. Mr and Mrs A said *"LV insurance has done little except tick boxes to avoid reclaiming my excess, the small print is irrelevant they assume they can just do as they wish, I paid for a service from LV by paying my premiums and not receiving an adequate service or support"*.

Mr and Mrs A re-stated the background of his complaint, and re-iterated he was £350 out of pocket for the excess he'd paid and why he thought that was unreasonable. Mr and Mrs A explained their expectations that *"the correct ethical thing [was] LV should have done was correctly paid my excess back, and this was then their decision if to pursue the other party or not at their cost if they feel they need to reclaim costs incurred for this case"*.

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 appreciate the strength of feeling of Mr and Mrs A, but unfortunately, I won't be changing my provisional decision. I don't think any new information has been presented that changes the circumstances of this claim / complaint.

As I've explained previously, LV has met its obligations under the policy. It took receipt of an excess payment and it settled the claim.

As I stated previously *"the recovery of the insurer's losses is separate to the settlement of the claim and as LV has set out, it is for their benefit, as stated in the policy terms. I can see it didn't abandon the claim without trying to recover the losses. I can see it tried to pursue the third party or third-party insurer on at least 8 times. So, I think it did try to recover the losses."*

If LV had recovered them, Mr and Mrs A would've had their excess refunded. But unfortunately, it couldn't so it also wasn't able to refund the excess. As I've explained, LV had managed Mr and Mrs A's expectations on this early from the moment the claim was made". Therefore, I maintain my decision not to uphold this complaint.

My final decision

My final decision is that I don't uphold this complaint. I don't require Liverpool Victoria Insurance Company Limited to do anymore.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A and Mr A to accept or reject my decision before 18 November 2025.

Pete Averill
Ombudsman