

The complaint

Mr C is complaining AA Underwriting Insurance Company Limited (AA) settled a third party's claim that was made on his car insurance policy.

What happened

In March 2024, AA contacted Mr C to say a third party was claiming his vehicle had been involved in an incident in October 2023. Mr C said he'd witnessed the third party deliberately hitting his parked vehicle and he thought the claim was fraudulent. In June 2024, the third party's insurer issued legal proceedings, so AA instructed their panel solicitors to defend this matter. AA contacted Mr C to inform him of that.

Mr C maintained the incident was an act of criminal damage and part of a longstanding dispute he'd had with the third party. He wanted the criminal aspects of the dispute to be included in his defence statement. AA's solicitors said the criminal allegations weren't something they could rely on to defend his position in a civil court.

As no agreement was reached about Mr C's statement and there was limited time to submit a defence, AA decided to settle the third party's claim on a without prejudice basis in August 2024. It then proceeded to settle the claim in October 2024.

AA didn't tell Mr C about the claim settlement. He found this out when he contacted AA for an update in January 2025. Mr C says he wasn't at fault and thinks AA settled the third party's claim unfairly. He referred this matter to our Service for an independent and impartial review.

One of our Investigators looked into this complaint and didn't uphold it. He thought AA had settled the third party's claim fairly and in line with the policy terms and conditions. Mr C didn't agree with the Investigator's view. He repeated that the third party made a fraudulent claim and asked for an Ombudsman to consider his complaint, so this was passed to me to decide.

I issued a provisional decision partially upholding this complaint. This is what I said about what I'd decided and why.

Liability

Firstly, I'm aware I've set out the background to this complaint in far less detail than Mr C has presented it. I'm not going to respond to every single point he's raised. No discourtesy is intended by this. Instead, I've focused on what I find are the key issues here. Our rules allow me to take this approach. It simply reflects the informal nature of our service as a free alternative to the courts. I assure Mr C, however, that I have read and considered everything he's provided.

It isn't our Service's role to say who's at fault for causing an accident. This is the role of the courts. Our role is to look at whether AA conducted a fair investigation, reviewed all the available evidence and reached a reasonable decision.

AA is entitled under the terms and conditions of its policy with Mr C to take over, defend, or settle a claim as it sees fit. This is a very common term in motor insurance policies. However, it needs to exercise this right fairly and reasonably, taking into account everything both parties have provided.

I note Mr C didn't inform AA of the incident when it happened. AA became aware of the incident when the third party contacted them around five months after the incident took place.

I can see AA sought to defend this matter and relayed to the third party's solicitors Mr C's allegations about the incident. It also requested relevant evidence such as dash cam footage from the third party.

In June 2024, the third party's solicitors started legal proceedings, so AA had to instruct its own solicitors to defend this matter. Mr C wasn't happy with its solicitors' drafted defence because it didn't include his criminal allegations. I note the solicitors informed Mr C several times that they couldn't use his criminal allegations in their defence, but Mr C did not change his position on this matter and didn't approve the drafted statement.

As Mr C wasn't willing to agree to its solicitors' defence of the claim, AA wasn't willing to defend the claim further. That's not unreasonable. It wasn't unfair for AA to choose to settle the claim on a without prejudice basis rather than go to court if it didn't feel there were reasonable prospects of success in court.

I'm not saying Mr C is at fault for the incident. But AA is entitled to take into account what it thinks the likely outcome would be if this matter proceeded to court. And I think it's acted fairly in this respect. I also note that AA has settled the claim on a without prejudice basis. So, Mr C is free to pursue his claim through the courts if he wishes to do so.

Ultimately, AA was entitled to make the decision to settle the third party's claim when it did and it wasn't required to consult with Mr C before it did so. Having said that, I think that AA should have explained to Mr C that it would be doing so. I don't think AA did that and I've explained below how I think AA should put this right.

Claim handling

The relevant rules and industry guidelines say that AA has a responsibility to handle claims promptly and fairly and provide appropriate information on their progress. This includes keeping the customer updated with significant updates and letting them know if the claim is settled.

I can see that AA decided to settle the third party's claim in August 2024. However, it failed to communicate this to Mr C. And it didn't inform him that it settled it in October 2024. I note Mr C only found out about it when he contacted AA for an update in January 2025. This was about three months after the claim settlement.

I think AA's failure to keep Mr C updated with the claim would have caused him some distress and inconvenience, bearing in mind how strongly he felt about the matter. So, I think AA should pay Mr C £150 compensation for the distress and inconvenience for the way it handled the claim.

Responses to my provisional decision

Mr C and AA responded not accepting my provisional decision. Mr C reiterated a number of issues he had already raised relating to his longstanding dispute with the third party. He also submitted evidence from a later incident involving his and the third party's car. Lastly, Mr C asked for a formal legal statement from me as to whom I regard to be at fault for the incident.

AA said it didn't think its failure to inform Mr C of the settlement of the third party's claim justified the compensation amount I'd awarded. AA said Mr C's lack of cooperation undermined its ability to defend the claim.

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've carefully considered all the points raised by both parties. I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it has affected what I think is the right outcome.

I note Mr C's comments in response to my provisional decision, but I don't think he's said anything he hadn't said previously. I appreciate Mr C wants me to say who I consider is at fault for the incident but as I explained in my provisional decision, it's not my role to decide who's at fault for an incident. That is something only a court can consider.

What I've looked at is whether AA has followed the policy terms and exercised its discretion fairly and reasonably when deciding to settle the third party's claim. And I think it has. That's because I'm satisfied Mr C's disagreement with the AA's solicitors' defence meant that AA felt it was left with no option but to concede liability.

AA's reasons for disagreeing with the £150 I awarded relate to Mr C's lack of cooperation which it said prevented it from defending the claim. My provisional decision explained that I didn't think it was unfair for AA to settle the claim due to Mr C's unwillingness to agree to its solicitors' defence of the claim. So, I'd already considered Mr C's own actions and how they impacted AA's liability decision.

However, AA still had a responsibility to treat Mr C fairly and keep him informed about the progress of the claim. I don't think it was fair or reasonable for AA to stop communicating with Mr C about the claim simply because he disagreed with its defence strategy. AA knew how strongly Mr C felt about the matter. And I'm satisfied that Mr C was inevitably distressed to find out five months later that AA had stopped pursuing the claim. So, I maintain that AA should pay Mr C £150 compensation for the distress and inconvenience caused by failing to update him about the third party's claim.

Taking everything into consideration, I see no reason to reach a different conclusion to the one I reached in my provisional decision. So, my final decision remains the same as my provisional decision, and for the same reasons.

My final decision

For the reasons provided I partially uphold this complaint. I require AA Underwriting Insurance Company Limited to pay Mr C £150 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 24 November 2025.

Linda Tare
Ombudsman