

## **The complaint**

Mrs D complains that U K Insurance Limited trading as Privilege Insurance (UKI) unfairly handled her motor insurance claim by disposing of her car while legal investigations were ongoing and this prejudiced against her ability to proceed with her motor legal claim.

## **What happened**

The circumstances of this case are known to both parties, but in summary Mrs D has a motor insurance policy underwritten by UKI. In May 2025 Mrs D experienced a fault with her car and arranged for it to be collected by a breakdown assistance company and taken to its appointed garage. While in the garage's possession, the car caught fire. So Mrs D claimed under her motor policy for the damage to her car as well as the motor legal cover to pursue the breakdown company for consequential costs.

UKI accepted the motor claim and asked Mrs D whether she was happy for it to dispose of the car which she agreed to. However, it later transpired that by disposing of the car, she had insufficient evidence to pursue her legal claim against the breakdown company. So Mrs D complained that UKI had prejudiced against her ability to pursue the legal claim. UKI didn't uphold the complaint as it was satisfied that it had handled her claim in line with the terms of her policy.

As Mrs D remained unhappy, she referred her complaint to this Service. Our Investigator didn't uphold the complaint as they were satisfied that UKI had acted fairly and it wasn't responsible for advising on the consequences of disposing of the car.

Mrs D didn't agree and asked for an Ombudsman to make a final decision. In summary she said UKI failed to provide reasonable care when handling her claim, and should've known, due to her ongoing legal expenses claim, that disposing of the car would've prejudiced her position. Mrs D also said while she consented for the car to be disposed of, she did so without being informed of the consequences and that while separate departments were responsible for the motor and legal claims, this didn't absolve UKI of treating its customers fairly.

So, the case has been passed to me to decide.

## **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 I recognise Mrs D will be disappointed with my decision, I don't uphold this complaint. I'll explain why.

I know I've summarised the circumstances of this case in less detail than presented. But I want to assure both parties that I've carefully considered all the information provided. I may not respond to every point or piece of evidence. But I've focused on the issues I consider to be key to the outcome of the case. This isn't meant as a discourtesy but reflects the informal

nature of this Service – and the rules this Service are expected to adhere to enable me to do this.

Relevant regulatory rules say firms must handle claims promptly, fairly and provide consumers with information that is clear, fair and not misleading.

The starting point with any insurance claim is the policy terms as this sets out the basis of cover between the insurer and its policyholder. Under the terms of Mrs D's policy UKI has the right to take ownership of the claimed for car once it is deemed to be a total loss, and it agrees to settle the claim on that basis. But in doing so, it should act fairly in line with the relevant regulatory rules. And I think it has acted fairly by confirming with Mrs D that she was happy to proceed on this basis before disposing of the car. That step was important in making sure the claim was handled fairly and transparently.

I have seen Mrs D asked the engineer who provided the valuation about the recovery of her excess and additional costs through her legal claim which the engineer confirmed they wouldn't be able to answer and Mrs D should refer to her insurer to confirm. I haven't seen anything to show she followed up with UKI about the legal claim at that stage, so UKI wouldn't have known she had outstanding concerns.

I appreciate Mrs D is of the view that UKI should have informed her what the consequences of disposing the car would be. But I don't agree. Although the motor claim and the legal expenses claim were connected from Mrs D's perspective, they operate as two separate parts of the policy. The people handling the motor claim aren't involved in the legal assessment or the evidence needed for the legal case.

UKI provides motor legal protection under the policy, however this involves UKI appointing a law firm who is responsible for providing its policyholder with legal advice in line with the terms of her policy. Once appointed, UKI's role is limited to funding the fees and disbursements and it doesn't have any control over how the legal claim is run. And so, any advice surrounding the retention of the car is the responsibility of the legal representative. UKI's claim handlers are not qualified to give legal advice and are not party to Mrs D's legal expenses claim.

There's no evidence UKI was told the car needed to be retained for legal reasons, and nothing suggests UKI had information that should've alerted it to that need. And so, it wouldn't have known that Mrs D required retention of the car. So, I don't think it would've been reasonable for UKI to anticipate the impact the car disposal might have had on the legal claim.

So, based on the above, I don't find that it was unreasonable for UKI to dispose of the car – which is its right under the terms of the policy once the claim has been settled.

I recognise that Mrs D is also unhappy that the claim was subsequently recorded as a "fault" claim against her. I think it would be helpful to explain that, while insurers typically refer to claims as "fault" or "non-fault", the actual terminology is "no claim bonus allowed" or "bonus disallowed". The term "fault" isn't to suggest that UKI has found Mrs D to be at fault for the incident but reflects that UKI has been unable to recover the costs from another party, such as a third-party insurer. I'm satisfied it wasn't unfair for UKI to record the claim this way as it was unable to recover its costs from another party.

I know this isn't the outcome Mrs D was hoping for, but I hope my explanation helps her understand how I've reached my decision.

### **My final decision**

So, for the reasons I have set out above, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 24 February 2026.

Oliver Collins  
**Ombudsman**