

The complaint

Mr A complains about how U K Insurance Limited (UKI) handled a claim on his car insurance policy. Mr A is being represented by a family relative in this complaint but as Mr A is the policyholder, and for ease, I've referred to him throughout.

What happened

In March 2025 Mr A allowed his daughter who wasn't covered as a named driver under his policy with UKI to drive his car. He says he allowed his daughter to drive his car on the understanding that she had her own third party only insurance. Unfortunately, she was involved in an accident with two other cars and caused damage.

Mr A contacted UKI to claim but UKI said it wouldn't cover the claim as the accident happened while the car was being driven by someone not insured on its policy. UKI said the claim would be logged for information only but it wouldn't take any action about it. Mr A didn't dispute UKI's decision on the claim and confirmed that his daughter had raised a claim with her own insurer.

Several weeks later, Mr A found out that UKI had issued a letter to the third party driver who had been hit in the rear by his daughter to accept liability and offer its hire car services. Unhappy, Mr A complained to UKI about unfairly prejudicing his claim against the third party by accepting liability. He was also unhappy about the level of service UKI had provided.

In its response to the complaint, UKI said it shouldn't have offered the third party driver services as it was declining the claim. It then confirmed the claim was closed as information only and the No Claims Discount was allowed so that it didn't impact Mr A. UKI also accepted it set incorrect expectations about recovering Mr A's car and that its service fell short of the standard expected during the claim and complaint. To apologise for its poor service, it offered Mr A £250 compensation for the distress and inconvenience caused.

Unhappy with UKI's response, Mr A brought his complaint to the Financial Ombudsman Service. One of our Investigators looked into it. He didn't think UKI needed to take any further action but Mr A didn't agree. He said UKI should cover his claim on the basis that its liability letter caused his solicitor to close his case and that this prejudiced his ability to pursue a claim against the third party.

As the complaint couldn't be resolved, it has been passed to me for decision.

I issued a provisional decision on Mr A's complaint. This is what I said about what I'd 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.

Having done so, I'm not intending to uphold this complaint. I understand Mr A will be disappointed by this but I'll explain why I have made this decision.

Mr A has made numerous points with regards to the issues involved in his complaint. He's said he'll be analysing our Service's letters to see if we considered every single one of his points. However, I'm not going to respond to every single point made, no discourtesy is intended by this. Instead, I've focussed on what I think are the key issues. Our rules allow me to do this and it reflects the informal nature of our service. However, I'd like to reassure Mr A that I've read and considered everything he's provided.

The relevant rules and industry guidelines say UKI has a responsibility to handle claims promptly, fairly and provide appropriate information on its progress. So, I've considered the relevant rules, the policy terms and the available evidence, to decide whether I think UKI treated Mr A fairly.

It's not disputed that Mr A's claim isn't covered under his policy with UKI. The car was being driven by someone not insured to drive it (under Mr A's policy) and the policy terms make clear that only the policyholder and any named drivers are covered under the policy. Mr A accepted UKI's decision at the time. However, he believes UKI should cover the claim as he thinks the liability letter it sent to the third party has prevented him from pursuing a claim against the third party.

In its response to the complaint, UKI said the usual process would be for it to reach out to the third party and offer services as its insured car hit the third party's car in the rear. But UKI said it shouldn't have sent the letter to the third party as it was declining the claim. However, while I recognise what UKI has said, I don't think its actions were unreasonable. I say this because I think it still would have had a liability towards the third party's losses under The Road Traffic Act 1988 (RTA), even where the driver concerned wasn't covered under the policy. And UKI's policy has a very common term which allows it to take over the defence and settlement of a claim.

It's not disputed that Mr A's daughter hit the third party in the rear. UKI's internal notes say that it was her responsibility to maintain a safe breaking distance. This is set out in the highway code. UKI's internal notes show that it offered services to the third party that got hit in the rear by Mr A's daughter to avoid any legal proceedings. UKI is entitled to take into account what it thinks the likely outcome would be if this matter proceeded to court. So, I think it acted fairly in this respect.

Under the RTA, an insurer must pay a court judgment against someone driving its insured car, even if that person isn't covered by the policy but they were authorised to drive the car by an insured person. In this case, Mr A authorised his daughter to drive the car. It's because of this possible obligation that UKI offered services to the third party. I don't think it's unreasonable for UKI to want to avoid the matter proceeding to court, where costs would likely increase.

In addition, where the driver was using the car with the insured's permission, as was the case here, the RTA allows the insurer a right of recovery against the driver and the policyholder. I note that on this occasion, UKI has decided not to recover his costs from Mr A so that he isn't impacted by this matter. I therefore think UKI has treated Mr A fairly here. Lastly, UKI acknowledged that its service could've been better. To apologise, UKI offered £250 compensation which Mr A rejected. I understand the process has been upsetting for Mr A. And I can appreciate his frustration when he was provided with incorrect information about UKI arranging the recovery of his car. But I can see that UKI corrected this error on the same day, so the impact wasn't long lasting.

UKI also failed to set correct expectations about its complaint handling and didn't return a call like it said it would. Overall, I think the £250 already offered is fair and reasonable compensation in the circumstances. This amount recognises what went wrong with the

handling of Mr A's claim and is in line with what I'd usually direct in the circumstances. So, I don't intend to ask UKI to do anything more than pay the compensation it has already offered.

Responses to my provisional decision

I invited both Mr A and UKI to respond to my provisional decision. UKI responded to say the only thing it wanted to add is that the £250 compensation was issued in July 2025 when it issued its final response letter. Mr A responded to say that no formal liability investigation took place and so it was unreasonable of UKI to admit liability to the third party when it had told him no action would be taken. Mr A said that if UKI had explained it intended to engage with the third party to manage potential RTA exposure, he would've had the opportunity to seek advice or take steps to protect his position but this opportunity was removed.

Mr A also cited two previous decisions issued by our Service which he says show our Service's stance that insurers should settle third party matters without prejudicing the policyholder's position. Lastly, Mr A said the £250 compensation doesn't address the loss of legal opportunity, financial exposure risk or the stress caused by UKI for not admitting they made a procedural error when admitting liability.

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 the comments raised. But 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 wish to make clear that each complaint brought to our Service is determined on its own merits. No two cases will be exactly the same and we don't have a system of precedent; although we do endeavour to be consistent. My role as an Ombudsman is to consider the individual complaint in front of me and to decide whether something has gone wrong. I'm required to reach a decision that is fair and reasonable on that complaint, notwithstanding what our Service may have recommended or decided, in other cases with their own individual circumstances.

I've carefully considered Mr A's submissions but they haven't changed my thoughts on this complaint, or my direction for putting things right. I say this because the terms and conditions of Mr A's policy make it clear that UKI can take over the defence or settlement of any claim on Mr A's behalf. This is standard in the motor insurance industry and means UKI didn't need the consent or agreement of Mr A in order to accept liability for the incident and settle the third party claim.

UKI told Mr A the accident would close as information only, with the No Claims Discount allowed so that it didn't impact him. But UKI still had a liability towards the third party's losses under RTA because Mr A's daughter hit the third party in the rear and it was her responsibility to maintain a safe breaking distance as set out in the highway code. Because of this, UKI believed there was a low likelihood of successfully defending liability in court. The decision to proceed to court proceedings can significantly increase the costs of a claim and so it's reasonable for an insurer to weight up its chances of success and rely on its experience of previous cases. I don't think this was unreasonable and so I don't think UKI has prejudiced Mr A's position here.

I note Mr A's comments about the amount of compensation UKI offered, but I maintain that the £250 compensation is fair, reasonable and proportionate to reflect UKI's service failings and the impact on Mr A. I've reached this conclusion having referred to our published guidelines on these types of awards which can be found on our website. Mr A has said he hasn't cashed the cheque and given the time that's passed, it's unlikely it'd still be accepted by the bank. So, I'll be directing UKI to cancel the previous cheque and reissue one for the £250 compensation offered.

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

U K Insurance Limited has already made an offer to pay Mr A £250 compensation. I find this offer to be fair in all the circumstances. So, I direct U K Insurance Limited to pay £250 compensation to Mr A for distress and inconvenience, if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 2 March 2026.

Linda Tare
Ombudsman