

complaint

Mrs O complains that without telling her, CIS General Insurance Limited ("CIS") paid a claim that a third party made against her motor insurance policy. She only found out two years later when she noticed her premium had increased, and her no claims discount (NCD) had reduced. She wants CIS to restore her premiums and NCD to their previous levels.

background

In October 2013, a bus company told CIS that Mrs O's car had been in an accident with one of its buses. Mrs O acknowledged there had been an incident, but said there was no damage to either vehicle. CIS told Mrs O it would arrange for her car to be inspected by an independent engineer. If it found damage consistent with the third party's claim, it would pay that claim.

The engineer reported to CIS that there was evidence of damage to Mrs O's car consistent with the third party's claim. It said Mrs O didn't want to make a claim for any repairs to her own car. The third party also produced images taken from a camera on the bus which showed Mrs O's car pulling into a bus lane in front of the bus. She then stopped, got out of her car, and inspected the front of her car.

CIS decided, on the evidence available, not to dispute the third party's claim, and settled it on a "without prejudice" basis, that is without admitting that Mrs O was at fault. However, it didn't tell Mrs O it was doing so, and that this would be treated as a fault claim on her insurance record and affect both her NCD and the premiums she would pay in the future. It was only when renewing her policy in September 2015 that she noticed her premium had increased, and complained to CIS.

CIS considered that it had acted reasonably in paying the third party's claim after a thorough investigation. However it offered compensation of £50 for not telling Mrs O at the conclusion of its investigation that it was going to pay the claim. Mrs O didn't consider this was sufficient and brought this present complaint. She denied that she had hit the bus. She said CIS should have told her before 2015 that it was going to pay the claim.

Our adjudicator recommended that this complaint should be upheld in part. CIS said that Mrs O's NCD had been reduced at renewal in September 2014, and her premium had increased slightly then. Mrs O had apparently not noticed this at the time. Her premium increased by a greater amount at renewal in September 2015, even though by then her NCD had recovered slightly.

Mrs O's policy contained a term which entitled it to take over, defend, or settle a claim as it thought fit. However, this service required a business to exercise such a power reasonably. In this case, CIS had obtained an independent report which confirmed her car had damage consistent with the claim the third party had made. This, coupled with the evidence from the bus camera, meant that CIS decided to pay the third party claim. The adjudicator considered it had given proper consideration to the claim before deciding to settle it.

She said that CIS had adjusted Mrs O's NCD at the September 2014 renewal, but because the overall increase in her premium was small, she hadn't noticed this then. So it wasn't true to say that CIS had delayed till September 2015 before reducing her NCD.

However, the adjudicator didn't think CIS's offer of £50 for failing to tell Mrs O that it had decided to pay the claim was sufficient. She had asked CIS to tell her of the outcome of the inspection of her car, and the engineer didn't tell her that he had found damage consistent with the claim. So Mrs O:

- didn't know she had a "fault" claim on her policy, which could have affected a renewal with another insurer,
- wasn't told she could have defended the third party's claim at her own expense, and
- wasn't told about the economics of claiming under the policy for her own damage, now that this was being treated as a fault claim.

The adjudicator considered that the appropriate compensation for this was £125, inclusive of the £50 CIS had already offered Mrs O. CIS accepted the adjudicator's recommendation. However, Mrs O said the amount being offered was insulting, and asked that her complaint be reviewed.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I appreciate that Mrs O maintains that she didn't make contact with the bus. However, it is not for the service to say whether Mrs O was responsible for the damage the bus company claimed for – that is for the courts to decide. Our role is to say if CIS investigated the claim properly and came to a reasonable decision in line with the evidence available and the policy terms and conditions.

Like the adjudicator, I consider that CIS investigated the claim properly, and on the evidence available to it acted reasonably in deciding to pay the claim and to treat this as a fault claim. On this basis, I see no reason to require CIS to amend the premiums it charged on renewal in 2014 and 2015.

However, it should have told Mrs O after its engineer's inspection of her car that the result was that it would pay the third party's claim and treat this as a fault claim on her insurance record. So I think it is reasonable that CIS should pay her compensation of £125 in total for its failure to do so.

my final decision

For the reasons I have set out above, my decision is that I uphold this complaint in part. I order CIS General Insurance Limited to pay Mrs O a further £75 compensation, in addition to the £50 it has already offered her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O to accept or reject my decision before 18 February 2016.

Lennox Towers
ombudsman