

complaint

Mr J complains that Service Insurance Company Limited cancelled the no claims discount on his trade motor insurance policy. He would like Service to compensate him both for the financial loss and the distress and inconvenience this caused.

background

Mr J is a motor trader. In 2013 three claims were notified to Service in relation to his motor insurance policy. Two of the claims were subsequently settled in his favour so they had no adverse effect on his no claims discount (NCD). The third claim, relating to an incident that occurred in February 2013, remains open. Service had provided an introductory discount on Mr J's policy. When the policy was due for renewal in November 2013, the outstanding claim from February 2013 resulted in Mr J losing his NCD. He took out insurance with another company but that policy was cancelled when he was unable to provide proof of his NCD. He was charged £221.28 because of this.

During the course of our investigation Mr J produced evidence that at the time he took out the policy with Service in November 2012, he had a nine year trade NCD. It appears that the broker had not passed this information to Service. This meant that applying the step back criteria, Mr J should have been awarded a three year NCD on the basis that there was one claim pending and he had a trade NCD in excess of five years.

The adjudicator recommended that Service should reimburse Mr J for the cancellation fees he incurred in relation to the new policy he took out. Also, on receipt of proof, such as accounting evidence or tax records, compensate him for any loss of earnings, resulting from the fact that he could not get insurance cover, he suffered between the date of cancellation of that policy in January 2014 to it starting again in June 2014. She also recommended that Service should pay Mr J £200 for the distress and inconvenience he suffered as a result of losing his NCD and having to spend time trying to find alternative cover.

However the adjudicator was satisfied that Service had acted reasonably in keeping open its file on the claim arising out of the February 2013 incident. She said the insurer was entitled to investigate despite Mr J's strong suspicion that the claim is fraudulent and the file should be closed.

Mr J wasn't happy with this outcome. He wants his full NCD reinstated.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

It is unfortunate that Mr J didn't receive the full benefit of his trade NCD from the outset. The heart of this complaint stems from the problems this caused when he came to renew his insurance in November 2013, which is the focus of this complaint.

I find that an award of £200 properly reflects the distress and inconvenience caused to Mr J by the total loss of his NCD and the time he had to spend looking for alternative cover. He then had to deal with the cancellation of the new policy which would have been avoided if he had been able to provide proof of a NCD. The awards that we make under this heading are intended to recognise the upset a particular episode has caused, not to punish the business

concerned. Taking into account the fact that this is a commercial situation and that Mr J will be compensated for his financial loss, I can see no basis for increasing this award.

Mr J says there was no accident in February 2013. His recollection is that a car tried to cut in front of him and then followed his vehicle. He says he was sufficiently concerned to divert his journey so that the car couldn't follow him home. Service was notified of the claim by solicitors acting for the third party two months later in April 2013. In addition to the claim for damage to the third party vehicle, there was a personal injury claim for a whiplash injury.

The investigation carried out on behalf of Service highlights concerns around the claim made. The repairs invoice has been provided by a company with premises on the first floor of a parade of shops. It isn't possible to identify the registration number or even the make of the car shown in photographs purporting to show damage to the third party vehicle. Inspection facilities were refused on the grounds that the vehicle had been sold on. So it may well transpire that the claim comes to nothing and Mr J's NCD can be restored in full. However as long as the claim remains live, Service will need to keep its file on the case open. The alternative would be for Service to accept some liability on Mr J's behalf and settle the claim. He would then lose the full NCD.

I also take into account that while Mr J has provided a full statement about the incident, he was not able to make the vehicle he was driving at the time available for inspection. He says the vehicle has been sold, but has been unable to provide any details about who bought it and he has given conflicting information about when it was sold. I find that this hasn't helped Service in achieving an early resolution of the claim.

It follows that I find the way in which Service has managed this claim to be reasonable. If there has been no recent contact from the third party it may well be that the file can be closed sooner rather than later; but as long as there is a real risk that the third party will issue court proceedings seeking compensation for damage to his vehicle and personal injury, Service will need to keep the claim live. I find that, whatever the concerns about the truthfulness of the claim, the fact that it has been made and not yet been resolved in Mr J's favour must inevitably affect his NCD, but that this is not due to any error or delay on the part of Service.

my final decision

For the reasons set out above I uphold this complaint in part and require Service Insurance Company Limited to take the following steps:

- Reimburse Mr J £221.28 incurred as a result of the cancellation of his new motor insurance policy;
- On receipt of evidence that between 30 January 2014 and 10 June 2014, Mr J suffered a loss of earnings due to the fact that he could not get insurance, pay Mr J a sum equivalent to that loss;
- Pay Mr J gross interest of 8% simple on the cancellation charges from 30 January until settlement and on any loss of earnings from the midpoint of that loss until the date of settlement;
- Pay Mr J £200 to compensate him for the distress and inconvenience he suffered.

Melanie McDonald
ombudsman