

## **complaint**

Mr R has complained about U K Insurance Limited's (UKI) service after he contacted it about claiming on his motor insurance policy.

Reference to UKI includes its agents.

## **background**

Mr R phoned UKI after someone hit his car while it was parked. It seems that a witness left a registration number but little other information on his windscreen. He contacted UKI who arranged repair and a hire car. UKI couldn't recover its costs and recorded the accident as a fault claim.

When Mr R's policy was due for renewal UKI told him his premium would increase by roughly 60%. It explained that this was largely because he now had a "fault" claim on his driving history. Mr R complained. He said if UKI had made him aware of the potential impact of claiming on his future premiums he wouldn't have claimed. UKI acknowledged that it could have provided better information during an early phone call. So it paid him £75 compensation for his distress and inconvenience because of that.

Mr R brought his complaint to us. The adjudicator didn't think UKI had dealt with Mr R fairly. He said that UKI had led Mr R to believe that claiming on his policy would only have a minor effect on his future premiums. And, but for that, Mr R could have made other decisions about whether to claim on the policy or have the repairs done himself. But the adjudicator noted that it was unlikely that Mr R could have had the repairs done much cheaper. But he felt it was likely Mr R wouldn't have incurred the costs of a hire car.

So in order to put things right the adjudicator recommended that:

- UKI should allow Mr R to "buy back" the claim from it for the amount it had spent on repairs. But without including the costs of the hire car.
- In return for buying back the claim UKI should record the claim as non-fault and refund the £282.24 extra premium charged because of the fault claim. He said that UKI should add simple interest at a rate of 8% to that sum.
- UKI should increase the compensation for Mr R's distress and inconvenience by £125, making it £200 in total.

UKI agreed to the adjudicator's recommendations. Mr R asked for an ombudsman's decision.

## **developments**

Before issuing this decision I emailed UKI and Mr R to say that, if Mr R were to buy back the claim, I think UKI should record it as "notification only" rather than non-fault. I explained that, where a consumer tells their insurer about an incident, but doesn't make a claim on their policy, it's usual for the insurer to record that incident as notification only. And that some insurers can treat the two categorisations of claim differently.

## my findings

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 going to uphold it and generally maintain the adjudicator's recommendations.

It's clear that - from the outset - Mr R was concerned about the effect that claiming on his policy would have on his future premiums. But in an early call with UKI, its handler gave him the impression that a claim would only affect his policy by "a couple of quid". That clearly wasn't right and UKI didn't correct it. It might help if I explain that most insurers will update their rating assessments extremely regularly. So there was no way that UKI could have known exactly how much the claim would affect Mr R's premiums by, as it wasn't due for renewal for some months.

When insurers pay out on a claim, but can't recover their outlay, they record the claim as a "fault" claim against their consumers, regardless of whether or not the consumer was to blame for the accident. But, where a consumer arranges repairs themselves, so the insurer doesn't have an outlay, then it will record the incident as "notification only". It's also standard industry practice to let a consumer reimburse the insurer for its outlay - known as "buying back". And in those circumstances the insurer will change the claims history from fault to non-fault. But, as I've explained above, where a consumer doesn't make a claim at all, the incident is usually recorded as notification only. And some insurers look at notification only incidents more favourably than non-fault claims when calculating premiums.

It's usual for a fault claim to have a much more significant effect on future premiums than a non-fault or notification only incident. So UKI's call handler clearly misled Mr R into thinking that if he went ahead with a claim through it, rather than arranging repairs himself, that would only have a small effect on his premiums. If UKI had given Mr R the correct information, I think it's likely he would have chosen to arrange the repairs himself. And if that had happened UKI would have recorded the incident as notification only.

I've thought about how that's affected Mr R and I've looked at the amounts UKI paid for repairs. I've seen that UKI paid very favourable rates for labour and it used new parts and the work came with a five year guarantee. I've noted that Mr R's car was still relatively new. So I think it's likely he'd have wanted work of an equal standard, in order to preserve the car's value as much as possible. So I think it's likely he'd have incurred similar costs for the repairs as UKI did.

But Mr R's said that if he'd arranged the repairs himself, he'd have managed without a hire car. And he wouldn't have incurred the hire costs. So in order to put things right I think UKI should allow Mr R to buy back the claim for the amount UKI spent on repairs alone, without considering the hire costs it paid. I understand that repairs alone cost £1,154.66. If Mr R buys back the claim for that sum UKI should record the claim as notification only. It should also refund him the difference between the premium it's charged him calculated with the fault claim, and what it would have been with a notification only incident. I understand that amount is £282.24. It should add simple interest to that sum at a rate of 8% a year from the date Mr R paid his premium to the date UKI makes the refund.

Also, I'm aware that this complaint has been a source of distress and inconvenience for Mr R. UKI has already acknowledged that and paid him £75 compensation. But I don't think that goes far enough. So I think it should pay him a further £125. That would make £200 in total which I think is reasonable compensation in the circumstances.

For completeness I'll comment that Mr R had also pointed out that UKI initially told him it had recorded the claim as split. In other words with fault being attributed on a 50/50 basis. But it eventually recorded it as fault. However, I've seen that UKI addressed this in its response to his complaint, when it explained that it had tried to recover its entire outlay from the other side but, as it couldn't prove they were involved, it couldn't do so. And it also explained that a split liability claim affects premium in the same way as fault claims. That's standard industry practice so I think UKI's response on that point was reasonable.

### **my final decision**

For the reasons set out above I uphold this complaint. I require U K Insurance Limited to:

- Offer Mr R the option of buying back his claim at cost of £1,154.66.
- Refund the overpaid premium of £282.24 and add simple interest to that sum at a rate of 8% a year from the date Mr R paid his premium to the date UKI makes the refund<sup>1</sup>. It need only take this action if Mr R buys back the claim.
- After Mr R has bought back the claim to record it as notification only.
- Pay Mr R a further £125 compensation for his distress and inconvenience bringing the total to £200.

It should pay the compensation within 28 days of us telling it that Mr R has accepted my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision to the date of payment at a rate of 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 26 April 2018.

Joe Scott  
**ombudsman**

---

<sup>1</sup> If UKI considers that it's required by HM Revenue & Customs (HMRC) to take off income tax from that interest, it should tell Mr R how much it's taken off. It should also give Mr R a certificate showing this if he asks for one, so he can reclaim the tax from HMRC if appropriate.