

The complaint

Mr M complains about how Tesco Underwriting Limited (“Tesco”) has handled a claim made on his motor insurance policy and the impact on his no claims discount.

Any reference to Tesco includes the actions of its agents.

What happened

Mr M has a motor insurance policy which is underwritten by Tesco. He made a claim on his policy to report he’d been involved in a motor incident – where his and a third party’s vehicle had made contact whilst passing on a narrow lane.

Because there was no independent evidence to support either party, Mr M was informed by Tesco that a 50/50 split liability decision was likely to be made – which he considered to be fair. The third party’s insurer accepted split liability and provided Tesco with their insured’s repair costs and supporting documents.

The total repairs cost £494, so Tesco agreed to pay £247. Tesco also covered 50% of the third party’s hire vehicle costs which were incurred whilst the repairs were carried out.

Whilst Mr M accepts the split liability decision, he’s unhappy his no claims discount has been affected as a result of the claim, and he’s said the third party’s costs had been inflated.

In it’s final response letter, Tesco said there was no suggestion that the repair costs had been inflated or any work which was not related to the incident had been carried out. It said Mr M had provided it with images of the third-party vehicle’s damage, and this was the same damage which had been repaired. It was satisfied the costs were reasonable for the repairs required.

It said that whilst Mr M hadn’t had repairs to his vehicle, a claim had been made on his policy as the other driver had claimed. It explained Mr M had nine years no claims discount on his policy which wasn’t protected and that this would reduce to three years at his renewal in August 2023.

Unhappy, Mr M brought a complaint to this Service. An Investigator considered it but didn’t uphold it. As Mr M disagreed, the complaint has been passed to me for an Ombudsman’s decision.

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 also kept in mind Tesco’s responsibility as an insurer to handle claims fairly – as outlined in the Insurance Conduct of Business Sourcebook (ICOBS). Having done so, I agree with the outcome our Investigator reached, and I’ll explain why.

But before I do, I want to clarify this decision is only focussing on Mr M's concerns about his no claims discount and the third-party's repair costs. I'm aware Mr M has raised a new concern about how the policy was sold to him, but he needs to make a new, separate complaint about this before this Service can become involved. I'll address his other concerns in turn.

No claims discount

I understand Mr M is disappointed his no claims discount has reduced from nine years to three years. The starting point is the policy document which says under "*Section J – No claims discount*":

"As long as a claim has not been made during the period of insurance, we will increase your no claim discount by one year (up to a maximum of 9 years) and a discount for this will be included in your renewal premium.

If a claim is made during the period of insurance, the discount will be reduced in accordance with our step back scale shown in the table below. You may also have to pay a higher excess on renewal."

I've looked at the table – it says where a consumer has a no claims discount of more than five years, if one claim is made, the no claims discount reduces to three years at renewal. So, I'm satisfied Tesco's decision to reduce Mr M's no claim discount to three years is in line with the policy terms and conditions as Mr M had the maximum nine years no claim discount.

I understand Mr M thinks reducing it by six years is disproportionate. He's said as the claim amount was low, his no claims discount shouldn't be affected in the same way a claim with a greater value would be. But that's not how his policy works. Ultimately, if a claim has been made in the year prior to renewal - regardless of its value - the no claims discount reduces. The extent of this reduction depends on how many years the consumer had held a policy without making a claim, and how many claims were made in the year prior to renewal. So, Mr M's argument doesn't persuade me that Tesco's decision was unfair.

Third-party's repair costs

Whilst Mr M might consider the damage to the third-party's car to have been minimal and that the repair costs have been inflated, it's ultimately, for the insurer to decide and agree upon the repairs and associated costs – provided this is fair and reasonable in the circumstances.

I appreciate Mr M wants to see the invoice to comment on this, but simply put, Tesco doesn't need his permission to settle the claim, and this is reflected in the policy document which says: "*In dealing with any claim under the terms of this policy we may:*

- *Carry out the defence or settlement of any claim [...]"*

So, on its face, I'm satisfied Tesco has acted in accordance with the terms of the policy by settling the claim as it saw fit. I've gone on to consider whether this decision was fair and reasonable in the circumstances.

Tesco has explained it reviewed the third-party's repair costs before settling the claim and it did so by comparing the repairs claimed for against the photos Mr M had provided it with - which showed the damage to the third party's vehicle.

And having done so, Tesco was satisfied the repairs and associated costs were reasonable – it said it had no reason to believe they had been inflated. And having reviewed these myself, I haven't seen anything to persuade me they were disproportionate or unreasonable. And so, I don't consider Tesco to have acted unfairly by covering these costs.

I appreciate my decision will be disappointing for Mr M, but I hope, based on what I've explained, he understands why I'm unable to uphold his complaint.

My final decision

My final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 29 March 2024.

Nicola Beakhust
Ombudsman