

The complaint

Mr G is unhappy that Covea Insurance Plc will not pay his claim under his car insurance policy for the repairs to his car.

Mr G is represented by someone who I'll refer to as Mr I.

What happened

Mr G was involved in an accident. He was referred to an accident management company (AMC) by another party. The AMC arranged a hire car for Mr G and the repairs to his car and then attempted to claim the cost of these back from the other driver's insurer, the third party insurer (TPI).

Covea received a claim from the other driver (the third party) and settled this on a without prejudice basis, as it felt Mr G was responsible for the accident. And it reduced Mr G's no claim discount (NCD) as a result of this. This led to Mr G having to pay an additional premium of £399.86 to his new insurer.

When the AMC became aware that Covea had settled the third party's claim they told Mr G they were unable to continue the claim against the TPI. The AMC then contacted Covea to claim back the amount it had paid for the repairs to Mr G's car. Covea wouldn't pay the claim. The AMC sought recovery of the amount it had paid to have Mr G's car repaired from him. So he paid this amount to them.

Mr G wasn't happy with Covea's approach and Mr I complained to Covea on his behalf. Covea wouldn't alter its position. It said the AMC was responsible for the repair costs, as they took over the claim for the repairs from Covea.

Mr I asked us to consider Mr G's complaint. One of our investigators did this. She said that it was fair and reasonable for Covea to cover what Mr G had paid the AMC up to what Covea would have paid if it had dealt with Mr G's claim for the damage to his car. She also said Covea should consider any further representations on liability from Mr G. And, if it felt he was not at fault for the accident, it should start the process to recover what it had paid to the third party and consider any loss Mr G had incurred as a result of its decision to settle the third party's claim.

Covea doesn't agree with the investigator's view. It has said it was not obliged to reimburse the costs of the repair to the AMC as it wasn't something it dealt with.

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.

Having done so I have decided to uphold it for the same reasons as the investigator.

I don't think Covea did anything wrong in settling the third party's claim on a without prejudice basis. I say this because it is likely to have done so to avoid costs mounting. In

doing it on a without prejudice basis it allowed the AMC to continue pursuing Mr G's claim against the TPI for the repairs to his car and the cost of hiring a car. And, if the AMC had been successful, it would have proved Mr G wasn't at fault for the accident and then Covea could have attempted to recover what it had paid to settle the third party's claim. Or if the AMC had issued proceedings to recover the costs Mr G had incurred, Covea could have joined the proceedings in an attempt to recover its outlay. So, I am surprised that the AMC said it was unable to continue pursuing Mr G's claim. But this clearly wasn't due to anything Mr G did wrong and it was outside of his control.

Covea has not provided a copy of Mr G's policy. But I know it will cover the cost of repairing his car. And I also know it will not cover costs incurred by or paid to an AMC. However, Mr G was put in a difficult situation by the AMC through no fault of his own. And had he wanted to do so he could have claimed directly under his policy for the repairs to his car. And whilst I appreciate this isn't technically what he did, to all intents and purposes he has asked Covea to consider a claim for the costs he incurred as a result of his car being repaired following an accident.

And I can't see the fact Mr G did this after the repair bill had been paid can prejudice Covea's position, provided it doesn't pay more than it would have done if it had dealt with Mr G's claim for the repairs to his car. If it had done so, it may have paid to have Mr G's car repaired, less his policy excess or it may have written his car off and paid its market value, less the policy excess. In this latter scenario it would have taken possession of Mr G's car and sold it as salvage, meaning its net payment would have been lower than the market value less the policy excess. In view of this, I consider it is fair and reasonable for Covea to consider and assess what it would have paid net if it had dealt with a claim from Mr G for the damage to his car and pay this amount to Mr G, plus interest. The interest is to compensate Mr G for being without these funds because Covea unfairly refused to pay this amount when he asked it to cover the repair costs.

I also consider Covea's approach to Mr G's claim was unnecessarily harsh and it didn't properly consider what was fair for him as its customer. And I think this caused Mr G unnecessary distress and inconvenience. And I agree with our investigator that Covea should pay Mr G £200 in compensation to reflect this.

I also think Covea should consider representations from Mr G on whether he was at fault for the accident that gave rise to his claim. I say this because Covea hasn't provided any evidence to show it considered representations from Mr G before settling the third party's claim. And if it decides Mr G wasn't liable for the accident Covea should consider recovering its outlay on the claim and mark it as non-fault.

If it considers Mr G wasn't at fault Covea should also reinstate his NCD and provide him with proof of this. It should also reimburse the additional premium Mr G paid his new insurer because his NCD was lower when he took out his new policy.

Putting things right

For the reasons set out above, I've decided to uphold Mr G's complaint and make Covea do the following:

- Pay what it would have paid if it had dealt with Mr G's claim for the repairs to his car up to a maximum of the amount he paid the AMC, i.e. £3,755.84.
- Pay interest on the amount it pays at 8% per annum simple from the date Mr G paid the AMC to the date of payment.*

- Pay Mr G £200 in compensation for distress and inconvenience. Covea must pay this compensation within 28 days of the date on which we tell it Mr G accepts my final decision. If it pays later than this it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.*
- Obtain and consider representations from Mr G on his liability for the accident giving rise to his claim. And, if it decides he is not at fault for the accident, it should mark the claim as non-fault and consider recovering its outlay.
- If Covea considers Mr G wasn't at fault for the accident it should also reinstate his NCD retrospectively and provide proof of this. It should also refund the additional premium Mr G paid to his new insurer as a result of his NCD being reduced, plus interest at 8% per annum simple from the date he paid it to the date of payment.*

* Covea must tell Mr G if it has made a deduction for income tax. And, if it has, how much it's taken off. It must also provide a tax deduction certificate for Mr G if asked to do so. This will allow Mr G to reclaim the tax from His Majesty's Revenue & Customs (HMRC) if appropriate.

My final decision

I uphold Mr G's complaint and order Covea Insurance plc to do what I've set out above in the 'Putting things right' section.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 15 May 2024.

Robert Short
Ombudsman