

The complaint

Mr B is unhappy with the way Liverpool Victoria Insurance Company Limited (LV) handled a claim on his motor insurance policy.

What happened

In October 2021, Mr B was involved in a motor accident where his car unfortunately collided with a motorcycle. He told LV it wasn't his fault and completed a statement to help them understand his version of events.

LV then explained they'd ask the third party's insurer to accept liability in the first instance, but they also warned Mr B that based on the circumstances, and the involvement of a motorcycle, it was possible liability would be successfully contested. They also agreed to keep Mr B updated and let him know once a response had been received. Mr B wasn't sure whether to progress the claim, but he eventually agreed to do so once he received LV's final settlement offer. In reaching this decision, he repeated the fact he didn't accept liability and said he was hopeful he would be able to recover his excess. In response, Mr B was informed he would receive a letter which explained how the claim would impact his policy going forward. The only reference to liability in this letter was about the policy excess. It said the excess could be recovered "*If you are not at fault for the incident and we have obtained an admission of liability from the responsible party's insurer*".

The third party's insurer didn't respond to LV's correspondence, so they appointed a solicitor to act on their behalf and start legal proceedings. The solicitor then contacted Mr B and said the third party had disputed liability and submitted a defence and counterclaim to recover their own costs. She also explained that in her professional opinion, the claim didn't have reasonable prospects of success, so she asked for his permission to stop pursuing it. Mr B agreed, so LV updated the Claims and Underwriting Exchange (CUE) and settled the third party's costs via a Consent Order. However, they didn't write to Mr B to explain what they'd done or how his policy would be impacted.

Several months later, Mr B made a complaint to LV when he noticed his motor insurance premium had significantly increased. At which point, he was informed how the claim had been settled and recorded on CUE. He said he wasn't expecting this, and he never agreed to accept liability. He didn't deny accepting the solicitor's advice, but said he thought this was only in relation to his claim to recover his excess. He'd already received a settlement for the damage to his car, and nobody had explained how the claim impacted his policy.

LV didn't uphold the complaint as they didn't think they'd done anything wrong and an investigator at this service agreed. Mr B still felt he'd been treated unfairly. So, the complaint was passed to me to reach a decision.

Provisional decision

On 19 April 2024 I issued a provisional decision. I said I thought LV had dealt with the claim fairly, but Mr B should be paid £150 compensation to reflect some poor customer service.

In response, LV said they accepted my findings and didn't wish to make any comments. Mr B didn't send a reply, despite receiving a reminder of the deadline. So, I've no reason to change my findings and what follows below is my provisional decision now made final.

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 would like to reassure Mr B and LV that although I have only summarised the background and arguments in the section above, I have read and considered everything provided about this complaint in its entirety.

It isn't my place to decide who is actually liable for the accident at the heart of this complaint, that would be a matter for a court of law. What I'm deciding is whether LV have applied the terms and conditions of the policy reasonably and whether they have dealt with the claim fairly.

The starting point is the agreement between Mr B and LV - the policy terms and conditions. Under the terms of the policy, LV can independently decide whether to defend a claim or settle it. This might mean LV makes a decision that Mr B disagrees with, as has happened here. I don't find this unusual or surprising as most motor insurance policies allow insurers to consider claims in this way. That said, we expect an insurer to reasonably investigate a claim and consider the evidence available before making their decision on liability.

I appreciate this decision will come as a disappointment to Mr B, but I don't think LV did anything wrong in relation to the way they handled the claim. I can see they investigated the details of the accident, appointed a solicitor, and relied on their professional advice. I appreciate Mr B now regrets accepting the solicitor's suggested course of action and with the benefit of hindsight may have responded differently. However, I hope it helps him to know, even if he had rejected the solicitor's guidance, the liability decision would still have remained the same. The solicitor asked Mr B for his permission to discontinue the claim as a courtesy, but this decision ultimately rested with LV, and they have confirmed they would have accepted the solicitor's opinion and settled the third party's costs in any event. I don't find this surprising as I wouldn't usually expect an insurer to go against professional legal advice. I'm also satisfied the solicitor's letter didn't just refer to Mr B's claim to pursue the policy excess.

Based on the contact notes I've reviewed, I'm satisfied that at the time Mr B accepted LV's settlement offer, he should reasonably have been aware liability hadn't been accepted and it was possible it would be contested. However, as he specifically raised a point about liability with the engineer, I think it may have been beneficial for him to have been referred back to the appropriate team, instead of being advised he would receive a letter which explained how the claim impacted his policy. This is especially because the only reference to liability in the promised letter was in relation to the policy excess.

I also think LV could have done more to help Mr B following their decision to accept liability. I appreciate Mr B received correspondence from their appointed solicitor in relation to the court proceedings, and this didn't just refer to the policy excess. However, to ensure Mr B had a good understanding of the next steps, I would reasonably have expected LV to have written to Mr B and explained how this decision impacted his policy and the information they would share on CUE. I also note that the final line of the solicitor's correspondence says, "*I would like to advise that you will not be liable to pay for the claim*". This sentence is factually correct, as LV were required to pay the costs on Mr B's behalf, but I can see how it could have caused some confusion in terms of the impact of the claim and the question of liability.

If the communication had been improved, I think Mr B would have been better informed and prepared for any potential premium increase as a result of the claim. I'm also satisfied having reviewed Mr B's submissions that he was genuinely confused about LV's actions and how claims of this nature are progressed. So, I think LV could reasonably have done more to make this clearer for him.

To put this right, I think a payment of £150 compensation fairly reflects the distress and inconvenience this poor customer service caused Mr B. I would like to stress that this amount isn't intended to compensate Mr B for the fact LV accepted liability for the accident, or any increase of premium that may have happened as a result. However, it does reflect the upset, and confusion which may have been avoided had Mr B been kept better informed about how the claim impacted his policy.

My final decision

I uphold this complaint and direct Liverpool Victoria Insurance Company Limited to pay Mr B £150 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 19 June 2024.

Claire Greene
Ombudsman