

The complaint

Mr G is unhappy with the service provided by U K Insurance Limited trading as Privilege Car Insurance (UKI) when reporting a claim under his car insurance policy.

What happened

Mr G called UKI to make a claim for damage to his car in December 2022. Mr G was referred to an accident management company (amc) to deal with his claim. The facts of Mr G's claim are well known to both parties. So I haven't repeated them here.

The amc was unable to recover costs for Mr G's hire car directly from the third party insurer. Because of this Mr G was told the amc would instruct solicitors to take legal action to recover these costs. Mr G was provided information about what this would involve. Mr G complained about the referral to the amc to deal with his claim, and the lack of information provided about the option to claim under his own insurance policy. Mr G was unhappy with UKI's response, and brought the complaint to the Financial Ombudsman Service.

During our investigation UKI said Mr G wasn't provided with clear information about the type of hire he was agreeing to. Because of this, UKI agreed to pay Mr G £350 in recognition of the poor referral, and impact on Mr G. The investigator said that the service provided by UKI had been poor. The investigator recommended UKI increase its offer of compensation to £500. UKI accepted these findings. Mr G disagreed. Mr G highlighted the severe stress and upset caused to him because of the court process involved, and the possibility of being pursued directly for the hire costs amounting to £17,816.93. As the complaint couldn't be resolved, it has been passed to me for 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'd like to reassure the parties that although I've only summarised the background to this complaint, so not everything that has happened or been argued is set out above, I've read and considered everything that has been provided. I've focused my comments on what I think is relevant. If I haven't commented on any specific point it's because I don't believe it has affected what I think is the right outcome.

The responsibilities of UKI

Before I address the merits of this complaint, it's first important to set out the parties involved and UKI's responsibilities, to make clear what I can look at in this decision. UKI has delegated the claims handling to the amc. So when Mr G called UKI to report the damage to his car, UKI was responsible for the information provided to Mr G about his claim and specifically the referral for credit hire and repair to the amc.

The amc was acting in its own capacity when handling Mr G's claim, not on behalf of UKI. And I don't have jurisdiction to consider the amc's actions. So, in relation to UKI and the

amc, I'm only considering what happened during the call between Mr G and UKI when he was referred for credit hire and repair, and whether the referral met the required standards.

The referral call

I've listened to the referral call and considered whether UKI met the relevant regulatory requirements. During the call, Mr G says he won't have use of a car and so would like to arrange for a courtesy car. The call handler says '*I will go ahead and check if I am able to instruct a supplier who will look to provide you with a car...*' I'm not persuaded the call handler presented information about the referral to the amc in a clear, fair and not misleading way. This is for several reasons including the following.

- UKI didn't go far enough to explain the differences to Mr G about the options available or ask which option he would like to choose.
- Mr G may have been able to claim his excess back from the third party's insurer as an uninsured loss, even if he claimed through his own insurance policy. The excess wasn't discussed at all.
- Mr G wasn't provided with any information about claiming the costs back directly from the third party's insurer. In particular Mr G should've been informed that recovering the costs from the third party insurer isn't guaranteed even where Mr G isn't deemed to be at fault for the accident. And, if this was the position, Mr G could become liable for those credit hire costs which would likely be much higher than the policy excess.
- UKI didn't let Mr G know UKI isn't responsible for the actions of the amc.
- UKI didn't explain a key downside to not claiming on his insurance policy and dealing with the amc as a separate company meant Mr G was stepping outside of his regulated contract and dealing with an unregulated company. Practically, this means he doesn't have the same routes available if things go wrong with the amc.

Taking everything into account, I'm not persuaded UKI presented information about the options Mr G had in a clear, fair and not misleading way. The call handler ought also to have highlighted the key benefits and risks, to present Mr G with a balanced view of his options and allow him to make an informed choice how to proceed. Mr G says if this had happened, he would've chosen to use his insurance policy.

For the above reasons, I uphold Mr G's complaint. This is because I don't think he would've agreed to the referral to the amc if he'd been given the clear, fair and not misleading information about his options by UKI. The referral to the amc has led to significant stress and worry which Mr G wouldn't have experienced to same extent, had the claim proceeded under his insurance policy. The investigator recommended UKI pay Mr G £500 in compensation for its poor service, and the impact on Mr G. All things considered, I'm persuaded this amount is fair and in line with our approach.

This amount recognises the significant stress and worry caused to Mr G as a result of having to be involved in a legal process that he didn't anticipate at the time of making a claim. Mr G has described at length the inconvenience and upset caused to him because of the potential for him to have to attend a hearing, and provide a testimony about the claim. These are all things that could've been avoided had Mr G claimed through his own insurance policy.

I note Mr G has expressed considerable concern about his potential liability for the credit hire costs and says the worry of this keeps him awake at night. I genuinely empathise with this situation. However, it's important to explain my role is to consider the

poor referral and impact of this as it stands at the time of writing this decision. And, at the moment, Mr G isn't being chased for any credit hire fees directly nor is it definitive that he will be. Therefore, this isn't a known loss which I would make an award for at this point.

If Mr G is pursued at a later date, and it relates to the same issue we've considered in this matter - the poor referral - I don't think it's likely something this service can (or will) consider. That said, I'm not able to determine our service's jurisdiction or decision on the merits of a future case when dealing with this matter. However, if the amc seeks to recover credit hire costs from Mr G in the future and those costs arose due to something UKI did or failed to do which Mr G hasn't already complained about with UKI (and it doesn't relate to the poor referral), it may be possible for Mr G to raise a further complaint with UKI in the first instance.

Additional costs

I note that during our investigation Mr G has provided evidence of legal costs he has incurred as a result of seeking independent legal advice about his options. I've carefully considered Mr G's comments. When dealing with a complaint about an insurance claim that remains open and on-going at the time of being referred to this service, we generally limit the scope of our decision making to issues which a business has had the opportunity to answer first. This is in line with our rules.

At this time Mr G should raise any new issues with UKI to respond to first. Should Mr G's concerns remain unresolved, this would be the subject of a new complaint that would need to be raised with UKI to answer first.

My final decision

I've decided to uphold Mr G's complaint. U K Insurance Limited is directed to pay Mr G £500 compensation. If any part of this compensation has already been paid, U K Insurance Limited is directed to pay the outstanding amount only.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 23 October 2024.

Neeta Karelia
Ombudsman