

## **The complaint**

Mr H complains about the price quoted by Wakam to renew his car insurance policy. He also complains about how an accident, which wasn't his fault, has impacted his No-Claims Discount.

## **What happened**

Mr H received a renewal invite which he says was significantly higher than what he'd paid the previous year. He says his car was involved in a collision with an untraced/uninsured driver for which he wasn't at fault, yet this impacted his protected No-Claims Discount ("NCD") – which he says was reduced from 15 years down to five years. Mr H felt it was unfair for the price to be impacted in this way, so he complained. Wakam responded and explained they were unable to recover their outlay, so the claim was settled as a fault claim. They said the NCD is only protected up to a limited number of years.

Our investigator looked into things for Mr H. He thought Wakam hadn't treated Mr H unfairly in relation to the pricing, and they also hadn't acted unreasonably in reducing Mr H's NCD. Mr H disagreed so the matter has come to me for a 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.

Having done so, I've decided not to uphold the complaint. I understand Mr H will be disappointed by this but I'll explain why I have made this decision.

The role of this service when looking at complaints about insurance pricing isn't to tell a business what they should charge or to determine a price for the insurance they offer. This is a commercial judgement and for them to decide. But we can look to see whether we agree a consumer has been treated fairly – so is there anything which demonstrates they've been treated differently or less favourably. If we think someone has been treated unfairly, we can set out what we think is right to address this unfairness.

I can see Mr H paid £1,284.57 for his policy in 2022 but then received a quote for £2,667.72 in 2023 – which is more than double what he'd paid the previous year. So, I understand why Mr H is concerned about the price increase. Wakam have provided me with confidential business sensitive information to explain how Mr H's price increase was calculated.

I'm afraid I can't share this with Mr H because it's commercially sensitive, but I've checked it carefully. And, I'm satisfied the price he has been quoted has been calculated correctly and fairly and I've seen no evidence that other Wakam customers in Mr H's position will have been charged a lower premium.

As mentioned above, I can't provide specific detail about Wakam's risk model, but I can see two main factors for the price increase relate to claims inflation and also the fault claim appearing on Mr H's policy. In relation to claims inflation, it's been widely publicised that

insurers have been impacted by the rising cost of settling claims – and this is attributable to increases in the costs of parts, labour and other costs incurred by insurers. So, it's not unusual or uncommon for claims inflation to be taken into account when an insurer is pricing a policy. In this case, I've seen how this impacted the price, so I can't say Wakam have treated Mr H unfairly in applying any adjustments in their ratings to account for this.

Another factor which has impacted the price is the fault claim recorded on Mr H's policy. I acknowledge Mr H says he wasn't at fault for the incident, so I understand why he's concerned about the claim being recorded in this way. I also acknowledge Mr H says he was able to recover his excess from an organisation handling his untraced/uninsured claim. I acknowledge Mr H questions how, given he was able to recover this, he can be seen as being at fault for the incident.

I think it's important here to clarify how insurers decide whether a claim is treated as fault or non-fault. When a claim is made on a policy, an insurer will generally look to assess, from a liability point of view, who was at fault. If it's found that a third party was at fault – and this isn't in dispute – an insurer will generally arrange any repairs to their policyholder's car and look to recover their outlay from the third party's insurer. If an insurer is able to make a full recovery, they'll treat the claim as non-fault. If however, the insurer isn't able to recover their full outlay, for example, if a third party is untraced/uninsured, then any costs incurred in repairing their policyholder's car won't be recoverable from a third party. And in these cases, because the insurer won't have recovered their outlay from a third party, they would treat this as a fault claim – and that's generally the case even if, from a liability perspective, the policyholder wasn't at fault. In this case, given that Wakam haven't been able to recover their outlay, it's not unreasonable for them to treat the matter here as a fault claim.

Turning now to the rating factors which have been impacted by there being a fault claim, I can see an additional loading has been applied to these ratings. So, I can't say Wakam have made a mistake in their pricing calculation. I acknowledge Mr H may feel this is unfair given the accident circumstances but, as mentioned above, Wakam haven't treated Mr H unfairly in recording the settlement as a fault claim.

I understand Mr H is also concerned about his protected NCD being reduced from 15 years down to five years. I've looked at Mr H's policy booklet which sets out the terms and conditions. This sets out how the NCD works and explains if Wakam make a payment which they aren't able to recover or cannot recover from another party, the NCD will be reduced to nil. In Mr H's case, his NCD was protected, and the section of the policy booklet which explains this sets out a table showing the impact of a fault claim on a protected NCD. This shows, if a policyholder with more than five years NCD, and with protected NCD, has a fault claim, then the NCD will reduce to five years.

I acknowledge why this was frustrating for Mr H, but I can't say Wakam have acted unfairly here as they've reduced Mr H's NCD in line with the terms and conditions. I acknowledge Mr H's concern that he paid extra to protect his NCD yet it has still been reduced. The table shows, had Mr H decided not to protect his NCD, then it would've reduced down to nil. But, by protecting it, the impact of one fault claim has meant Mr H still retained five years NCD. I know this isn't what Mr H wanted, but Wakam have acted in line with the terms and conditions in taking this step.

I can see Mr H refers to the police taking action against a third party and them being issued with a fine. It's not clear what charges were brought, but if a third party has been traced, I think Mr H is able to refer this to Wakam to consider whether any recovery can be made. I think it's important to make Mr H aware, any recovery may still be unlikely if the third party was uninsured, but I think it would be fair for Wakam to consider this further if Mr H provides the relevant information.

**My final decision**

For the reasons I have given, it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 28 December 2023.

Paviter Dhaddy  
**Ombudsman**