

The complaint

Mr M complains about how Advantage Insurance Company Limited handled a claim made on his motor insurance policy.

What happened

Mr M's car was damaged in an accident, and he made a claim on his policy. Advantage's engineer said his car was beyond economical repair, but Mr M wanted Advantage to repair it. Advantage said Mr M didn't contact it to discuss his settlement, so it closed the claim. But Mr M wanted Advantage to pursue the other driver's insurer for liability. Advantage said it couldn't do this as it didn't have an outlay to recover. Mr M was also unhappy that his premiums had increased since the incident.

Our Investigator didn't recommend that the complaint should be upheld. He thought Advantage had reasonably relied on an engineer's assessment that the car was beyond economical repair, so he thought it needn't repair it. He thought Advantage hadn't acted unfairly in closing the claim as it had made multiple attempts to contact Mr M. He thought Advantage was unable to pursue liability until it had costs to recover. And he explained that any incident can lead to an increase in premium.

Mr M replied that he thought Advantage had unfairly refused to repair his car. He thought it hadn't engaged with him to discuss a settlement. And he thought it had unfairly doubled his premiums when he had six years' No Claims Discount (NCD). He thought Advantage should repair his car and pass the cost to the other insurer. He wants a fair settlement, compensation for his stress and frustration, and a refund of the increase in his premium.

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.

Mr M has explained that the claim has caused him pain, stress and frustration that has aggravated his health condition. I was sorry to hear about this. And I can understand that it must be inconvenient to be without a car.

The accident occurred at a roundabout and Mr M said the other driver hit his car in the rear. Mr M said he wasn't at fault for the accident and so Advantage should recover its costs from the other insurer.

The investigator has already explained that it isn't our role to decide who was responsible for causing the accident. This is the role of the courts. Instead, our role in complaints of this nature is simply to investigate how the insurer made the decision to settle the claim. Did it act fairly and reasonably and in line with the terms and conditions of the policy? And has it treated Mr M the same as someone else in his position.

Advantage is entitled under the terms and conditions of its policy with Mr M to take over, defend, or settle a claim as it sees fit. Mr M has to follow its advice in connection with the settlement of his claim, whether he agrees with the outcome or not. This is a common term in motor insurance policies, and I don't find it unusual.

That said, we expect an insurer to reasonably investigate a claim and consider the evidence available before making its decision on liability. But, in this case, and in keeping with industry practice, Advantage can't pursue liability with the other driver's insurer as it hasn't made an outlay it needs to recover.

I can see that Advantage offered Mr M a settlement for the total loss of his car, but he hasn't accepted this. Until he does, then Advantage is unable to pursue liability. And, in the meantime, I think Advantage reasonably closed the claim. I think it's for Mr M to contact Advantage to reopen his claim and proceed with his settlement if he so chooses. I can see that he's expressed an interest in buying back the car's salvage and repairing the car himself. And Advantage has provided information about how to proceed with this.

Mr M thought Advantage should just take his car to a main dealer and have it repaired, whatever the cost, and recover its outlay from the other driver's insurer. But I don't agree. Advantage has a duty to recover reasonable costs and it has to justify its outlay. So it needs to assess likely repair costs and decide whether or not it's economical to repair a car. And, in this case, I can see that Advantage relied on an engineer's assessment that the car was beyond economical repair. I can't see any engineering evidence to contradict this. So I can't say that Advantage should repair Mr M's car.

Mr M said the engineer hadn't physically inspected his car. But this isn't unusual. Qualified engineers can rely on photographs and desk top assessments to decide likely repair costs. So I can't say this was unfair or unreasonable. Advantage did offer to collect Mr M's car and inspect it. But from what I can see, Mr M didn't agree with this offer. So, whilst I can understand that Mr M's unhappy that his car hasn't been repaired, I think Advantage has reasonably handled his claim and I don't require it to pay Mr M any compensation.

Mr M was unhappy that his policy premium doubled at renewal. While some insurers will only rate on NCD disallowed or "fault" claims, others will consider any claim – or even just a claim notification – as a "risk factor". This is because insurers say that drivers who have been involved in incidents, regardless of fault, are more likely to be involved in future claims.

I can understand that Mr M may find this to be illogical. But being involved in an incident could be linked to such things as his use of higher risk roads or junctions or driving at particular times.

It's not our role to tell an insurer how to price its policies or what factors it should consider when calculating a risk. Advantage's decision to rate on all claims, regardless of fault, is its commercial decision. This doesn't break any relevant regulations and it's in keeping with standard industry practice.

Mr M had the opportunity to look for cover elsewhere rather than renew with Advantage. And I can't see that Advantage has treated Mr M differently to any of its other customers. And so, as this isn't something that I would normally interfere with as it is a legitimate exercise of its commercial judgement, I don't require Advantage to refund any premium to Mr M.

My final decision

For the reasons given above, my final decision is that 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 20 September 2023.

Phillip Berechree
Ombudsman