

The complaint

Mr M and Ms Y complain about Liverpool Victoria Insurance Company Limited's (LV) lack of communication and failure to progress a claim, under Mr M's motor insurance policy.

All references to LV include its agents.

What happened

In May 2022 Mr M and Ms Y say their car was damaged when someone opened a car door into it. The third party who did this had left a note explaining what had happened. Mr M and Ms Y contacted LV to make a claim and gave the details of the other vehicle involved. The repairs to their car were completed in July.

Mr M and Ms Y say they heard nothing further until February 2023. At this time LV emailed them to say the third-party insurer hadn't paid the claim costs. The email explained its solicitors had been instructed and they would only contact Mr M and Ms Y if attempts to recover the costs failed. A few days later they received forms to fill in from the solicitor. The information indicated they would potentially be responsible for costs, which they say was way more than the repairs should've been.

Mr M and Ms Y made contact to explain the circumstances of the damage were stated incorrectly on the solicitor's form. They say none of their concerns were responded to by LV or its agents. They found this distressing as they didn't want to be responsible for further costs and felt pressured into completing forms that included inaccurate information. In addition, they were concerned the information Mr M provided to his new insurer about his no claims bonus could be inaccurate.

In its final complaint response LV says its policy terms entitle it to conduct, defend and settle all claims. It says it dealt with the damage claim, and as Mr M and Ms Y weren't at fault contacted the other party's insurer to recover the claim costs. It says it did this in July 2022 and confirmed it would refer to solicitors in 21 days. LV says it didn't receive payment and didn't refer to its solicitor when it said it would.

LV apologised for the delay in pursuing the claim costs. But says it had already waived Mr M's policy excess and allowed his no claims discount, from the start of the claim. LV says it was sorry for the lack of communication during February 2023 when its solicitor contacted Mr M and Ms Y. For the delay in pursuing the claim costs, and for its 'vague and unclear communication' it offered £150 compensation.

Mr M and Ms Y didn't think they'd been treated fairly and referred the matter to our service. Our investigator didn't uphold their complaint. She says £150 compensation was fair for the worry caused by the solicitor's inaccurate documents and for the poor standard of communication.

Mr M and Ms Y disagreed with this outcome and asked for an ombudsman to consider their complaint.

It has been passed to me to decide.

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'm not upholding Mr M and Ms Y's complaint. I understand that this will come as a disappointment to them, but I'll explain why I think my decision is fair.

I can see that LV wrote to the third-party insurer on 27 July 2022. In this emailed letter it confirmed that it held the third party responsible for the cost of repairs to Mr M's car. It explained the third party had opened their door into Mr M's car door when it was parked. I can't see reference in the letter to a solicitor's involvement after 21 days. However, there is no dispute from LV that it failed to follow up on the recovery of its claim costs until February 2023.

Mr M obtained a new insurance policy in January 2023. After he was contacted by LV's solicitor he was worried that he'd given false information about his no claims bonus to his new insurer. I can understand why this was a concern. But I've seen a copy of LV's letter to Mr M dated 21 December 2022, which states he has five years no claims discount. In its submission to our service the business says he previously had four years. This showed it had allowed his no claims due to the other party being at fault for this claim.

I'm sorry Mr M and Ms Y were caused distress as they thought they'd given inaccurate information to their insurer. But LV had allowed for Mr M's no claims discount for the 2022 policy year, and it provided proof of this in December. This means it didn't have an impact on the cost of his premium. And Mr M hadn't given inaccurate information to his new insurer.

I've read the information LV's solicitor sent to Mr M at the beginning of February 2023. The claim form it intended sending to the court says:

"The accident occurred when the Defendant collided with the Claimant's vehicle which was parked on the side of the road."

This isn't what happened. I can understand why Mr M and Ms Y were concerned about signing these documents. They also point to a section of the solicitor's letter that reads:

"There may be circumstances in which Liverpool Victoria may refuse to indemnify you in relation to our legal costs for example if you fail to co-operate with us, if you are un-truthful, if you are in breach of your insurance policy with them We will inform you immediately if Liverpool Victoria withdraw funding."

The contract for the provision of legal services in pursuing your claim is however between [solicitor] and yourself and you therefore have the primary responsibility for payment of our legal fees. You would therefore be responsible for payment of our legal fees in the event that funding was withdrawn."

If the value of your claim is contested in circumstances where the total value of the claims being pursued by both you and your insurer exceed £5,000, your insurer may not be liable for the costs incurred by a third party in defending the claim you are making. If the third party successfully defends your claim they may be entitled to an award of costs. In such circumstances it is prudent to have in place an insurance policy to cover such costs. Should we consider such an insurance policy to be necessary we will advise you accordingly."

I can understand why Mr M and Ms Y were concerned about the costs they could face by signing this agreement. I can see Mr M responded to the solicitor using its online portal highlighting the inaccuracy in its description of the accident. He also queried the claim cost for £2,016.64 as he'd been informed the cost of the repairs would be more like £500. Mr M asked the solicitor why it had made contact now, as he was told by LV it would only do so if it couldn't recover the funds.

The records show this message was read but Mr M didn't receive a response. He says he made further attempts to make contact but still received no response. I can see that Mr M also contacted LV directly. It referred him back to its solicitor, but I note it did confirm the cost of repairs was correct.

LV's solicitor emailed Mr M on 16 February 2023 to say it had been unable to contact him by phone to discuss the outstanding claim. Mr M emailed back to say he'd received no further contact after the forms it initially sent. The solicitor then wrote him a letter the following day to say if it didn't hear back from Mr M it would proceed with legal proceedings with LV signing the 'statement of truth forms' on his behalf.

LV then wrote to Mr M on 19 February 2023 to say it had successfully recovered the costs involved in his vehicle damage claim. It says the claim has now been closed in his favour and his no claims discount hasn't been affected.

Having considered all of this I think the standard of communication from LV and its agents regarding Mr M's concerns about its intended legal proceedings, was poor. I can understand why he and Ms Y had concerns about signing the solicitor's forms. They contained an inaccurate description of the accident and indicated that in certain circumstances Mr M could be liable for significant costs.

Mr M queried several issues with LV and its agents. Based on what I've read the responses that were provided could've been more helpful. I agree with what LV says in its complaint response that its communication was vague and unclear.

In these circumstances I think LV should provide compensation for the distress and inconvenience it caused Mr M and Ms Y. They describe how they were very worried by the contact from the solicitor. As there had been no contact for well over six months this came as a shock. I've thought carefully about the amount of compensation, and I'm satisfied that £150 is fair here. The time from Ms M being contacted by the solicitor to being told the claim had been closed was relatively short. I don't doubt that this caused distress, but I think LV acted reasonably in offering this amount to redress the matter. So, I can't fairly ask it to pay more.

Finally, I note Mr M and Ms Y's comments that they are concerned that other policyholders could be affected by the issues they experienced. I can see our investigator explained that we aren't the regulator, and that they may wish to direct their concerns to the Financial Conduct Authority (FCA), which they indicated they would do. But this isn't something I'm able to consider in my decision. I understand Mr M and Ms Y have also approached the Legal Ombudsman regarding the conduct of LV's solicitor. I hope that it's able to assist. But again, this isn't something I'm able to comment on here.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Ms Y to accept or reject my decision before 26 December 2023.

Mike Waldron
Ombudsman