

The complaint

Mr Y complains about Advantage Insurance Company Limited's addition of a record to the Claims & Underwriting Exchange (CUE) database relating to an incident which did not result in a claim being made to them under Mr Y's car insurance policy.

What happened

The background to this complaint is well known to both parties, so I'll provide only a brief summary here.

Up until June 2021, Mr Y had car insurance underwritten by Advantage. In March 2021, he contacted Advantage to tell them that someone had stolen the catalytic converter from his car.

Mr Y says he contacted Advantage with the intention of making a claim and asking Advantage to pay for the repairs to his car. However, when he found out the cost of the repairs, he effectively withdrew the claim and paid for the repairs himself.

Mr Y says that when he was later looking for car insurance he became aware that the price was being affected by a record of the March 2021 incident on the CUE database. Because he didn't make a claim, he believes it's unfair that the record is on CUE and he wants Advantage to remove it.

Mr Y made a complaint to Advantage, but they didn't uphold it. They said the record was legitimately added to the CUE database and they weren't intending to remove it. Mr Y wasn't happy with this and brought his complaint to us.

Whilst we were looking into it, Advantage told us they'd realised the record was in fact inaccurate. It suggested Mr Y had made a fault claim – which means in effect that Advantage had paid out but had been unable to recover their losses. Whereas in fact, they hadn't paid out because Mr Y withdrew the claim.

At this stage, Advantage offered to settle the complaint by amending the record to show that Mr Y had notified Advantage of the loss but had not made a claim. And they offered Mr Y £100 in compensation for his trouble and upset.

Our investigator thought Advantage's offer was fair. Mr Y disagreed and asked for a final decision from an ombudsman.

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 Y thinks it's unfair that there's a record of the March 2021 incident on CUE at all. He wants it removed because it appears to be having an impact on his car insurance premiums.

He says there ought to be no record because he didn't make a claim – and having made the

decision to pay for the repairs himself, it's unfair that his premiums are now higher than they otherwise would be.

I'm afraid I don't agree with that. I can see why Mr Y believes the record should be removed, but I think he's falling into a common misconception about the way insurance works.

What insurers try to do, when they offer policies to potential customers, is accurately assess the risk that they will have to settle a claim (or claims) under the policy. In broad terms, the greater the risk they calculate, the higher the premium.

That's not unfair or unreasonable. In fact, it's part of the fabric of the way insurance works. You can insure against most risks, but the higher the risk, the more you will have to pay to get that cover. Customers who present a smaller risk get cheaper insurance – and that's clearly to the advantage of those customers.

In calculating the risk attached to a policy, insurers will quite legitimately want to find out as much information as possible which is relevant to the calculation of that risk. Hence the questions we're all asked when we buy insurance – including questions about previous claims and/or – very often – any losses or damage which didn't lead to a claim.

Some – if not most - insurers will take the view that a previous loss, whether it resulted in a claim or not, indicates a higher risk of a future loss – which might lead to a claim.

That's why many insurers ask at the policy application stage whether you've suffered loss or damage (whether it led to a claim or not) and it's why many policies require the customer to notify the insurer of any loss or damage even if they don't intend to make a claim.

In essence, insurance is not a "game", where customers can choose tactically to protect against future premium increases by not declaring previous losses on the basis that they didn't make a claim.

To look at it a slightly different way, if Advantage place a record on CUE which says Mr Y's car suffered a loss due to a theft in March 2021, then that is an entirely accurate record. And it is information which – for the reasons I've set out above – is quite legitimately relevant to future insurers' decisions about whether to offer cover and, if so, at what price.

Some insurers may decide that the non-claim incident in March 2021 doesn't add to the risk they take in providing cover. Others may think it does. But those are decisions insurers are entitled to make, in full knowledge of the facts.

So, there's nothing wrong in principle with Advantage adding a record to CUE relating to the March 2021 incident.

What actually went wrong in this case is that Advantage put an *inaccurate* record on CUE, which indicated they'd paid out in relation to the March 2021 incident.

That's clearly a mistake on their part – which wasn't rectified until around September 2023, after we began our investigation into Mr Y's complaint. And for that reason, I'm going to uphold Mr Y's complaint.

Putting things right

The CUE record was amended by Advantage in around September 2023. It now shows as a record of an incident that was "notification only" – which means anyone accessing that record will understand that Mr Y didn't in fact make a claim.

So, that's been put right already – albeit after our investigation started – and there's nothing more for Advantage to do to put things right for Mr Y in that respect. For the reasons set out above, I'm not going to require Advantage to do what Mr Y wants and remove the record entirely.

The inaccurate version of the record was on CUE between mid-2021 and around September 2023. Some, if not most, insurers would increase their required premiums by more for a fault claim as opposed to a notification only incident.

So, in theory, it's possible that the inaccurate record would have caused Mr Y's premiums – after leaving Advantage in June 2021, two or three months after the March 2021 incident – to increase by more than they ought to have done.

Mr Y took out insurance with another insurer in June 2021 and stayed with them for two years. It's clear from evidence provided by Mr Y that the other insurer only became aware of the March 2021 incident in around August 2022 after he'd renewed with them in June 2022. Mr Y hadn't declared the incident when he first bought the policy.

So, his first year's premiums with the new insurer weren't affected by the inaccurate CUE record. And Mr Y tells us that, after some discussion between the new insurer and himself, they agreed not to increase the premium for the second year after they discovered the CUE record in August 2022.

Mr Y next bought an annual policy in early December of this year. He's provided evidence to suggest the premium went up after the latest insurer became aware of the March 2021 incident via CUE.

However, by that time Advantage had corrected the CUE record, so any increased premiums Mr Y agreed to pay are based on the now accurate and factual record on CUE, which Advantage were entitled to place there.

Mr Y says he bought daily insurance between June 2023 and December 2023. But he's not provided any evidence of how much he paid and when.

So, based on the evidence available to us – and what Mr Y himself tells us - I can't reasonably conclude that the inaccurate record placed on CUE by Advantage after the March 2021 incident has had any effect on the premiums paid by Mr Y at any point.

That being the case, I agree with our investigator that the £100 offered to Mr Y by Advantage in compensation for Mr Y's trouble and upset was fair and reasonable.

Although the inaccurate record had no material effect on his premium payments, Mr Y was caused a degree of inconvenience in having to explain the situation to insurers and potential insurers. And he suffered a degree of worry and anxiety about the record's existence and the effect it might have in future.

I understand Advantage may have already paid the £100 compensation they offered Mr Y. If that is the case, for the sake of clarity, I'm not suggesting they should pay a further £100 now.

My final decision

For the reasons set out above I uphold Mr Y's complaint.

Advantage Insurance Company Limited must:

- ensure the CUE record about the incident reported by Mr Y in March 2021 is and remains accurate; and
- pay Mr Y £100 in compensation for his trouble and upset

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or reject my decision before 17 January 2024.

Neil Marshall
Ombudsman