

The complaint

Miss D complains about the way Tesco Underwriting Limited dealt with a claim she made on her motor insurance policy.

What happened

In September 2022 another vehicle collided with Miss D's parked car and damaged it. Miss D made a claim on her car insurance policy with Tesco, using Tesco's digital platform. On the basis of the information she provided, Tesco deemed the car to be a total loss (what's commonly referred to as a "write-off"). It offered Miss D £1,980 in settlement of her claim, after deduction of her policy excess of £200.

Miss D thought Tesco's offer of settlement was too low. She said she couldn't find a car of the same model, specification and mileage for the amount Tesco offered her. So Tesco told her it would refer the matter to an engineer. The engineer carried out a desktop inspection of Miss D's car and concluded that it could be repaired. Tesco told Miss D that following the engineer's inspection, it no longer considered her car to be a total loss.

Miss D told Tesco that she didn't want her car to be repaired. She said the reason she'd rejected the total loss settlement was that she was unhappy with the value Tesco had put on her car. She said she believed she should have the right to choose whether to have the car repaired or accept the write-off. And she pointed out that the damage wasn't her fault, and that the owner of the other vehicle had accepted liability.

Meanwhile, Miss D was in contact with representatives of the company whose vehicle had damaged her car, who had offered to deal with her claim. In the end she didn't go ahead with that, and in November 2022 Miss D agreed to Tesco arranging for her car to be repaired. Tesco agreed to waive the £200 excess. The repairs were carried out and Tesco wrote to the other driver's insurer in late November 2022, asking for reimbursement of the cost of the repairs.

In December 2022 Miss D complained to this service. She said she was unhappy that she felt forced into having her car repaired, and was concerned that its value would be lower because of the damage on record. And she wasn't happy that the claim was recorded as being a fault claim on her insurance record.

One of our investigators considered the complaint and thought it should be upheld in part. In summary, she thought Tesco had dealt with Miss D's claim in line with the policy terms, but she thought it had been unclear and inconsistent about the settlement it was offering. She commented that Tesco had recently chased the third party but it hadn't updated Miss D or explained the claim recovery process to her in order to manage her expectations. As a result, she said Tesco should pay Miss D £75 compensation.

Tesco disagreed with the investigator's view. It said it had updated Miss D after its engineer inspected her car. And it pointed out that Miss D had only confirmed in November 2022 that she wished to go ahead with the repairs. It was only able to ask the other driver's insurer for reimbursement once the repairs were completed. It said it had explained the recovery process to Miss D, and would update her once the other driver's insurer had accepted the claim.

Following Tesco's further comments, the investigator revised her view of the complaint. She said that although the policy terms allow Tesco to decide how to settle the claim, she'd expect it to stick to its original decision, and not to cause confusion and change what was on offer. She accepted that Tesco had explained the claim recovery process to Miss D. Miss D had asked to be contacted when there was an update. But by the time the investigator sent out her revised view just over two months later, no update had been provided. The investigator still considered that Tesco should pay compensation to Miss D. But she thought that £50 was a reasonable amount, rather than the £75 she'd originally recommended.

Tesco didn't agree with the investigator's view, so the complaint was passed to me.

My provisional findings

After considering all the evidence, I issued a provisional decision on this complaint to Miss D and to Tesco on 1 June 2023. I said:

"Miss D's car insurance policy, like most policies we see, gives Tesco the right to take over the defence or settlement of any claim as it sees fit. That means it might make a decision Miss D disagrees with. In this case, based on the information that Miss D supplied, Tesco originally considered her car to be written off. But the engineer who assessed Miss D's car after she rejected Tesco's settlement offer, said the car could be repaired. And the estimated repair costs were less than the estimated value of Miss D's car. While I can understand that Miss D would rather have had a cash settlement for the car, I don't consider that it was unfair or unreasonable of Tesco to change its view about whether to write the car off.

As the investigator commented, Miss D spent some time communicating with representatives of the other driver's insurer about the possibility of them dealing with the claim. In the end, she decided to have the car repaired by Tesco's repairer. I'm satisfied that Tesco wasn't responsible for any delay in the repairs being carried out. And it couldn't ask the other driver's insurer to reimburse it until it had paid for the repairs. Once the repairs had been carried out and Tesco received the repair invoice, it contacted the other driver's insurer.

I can understand Miss D's frustration that an accident which wasn't her fault was showing as a fault claim on her insurance record. But this is usual where an insurer has paid money as a result of a claim. And I'm satisfied that Tesco explained the process to Miss D reasonably clearly.

In a letter to Miss D, sent on the day she reported the damage to her car, Tesco explained that if the claim was still open when she came to renew her policy and it hadn't received all its money back, it would be noted as a fault incident against her policy history until it got full reimbursement from the other driver's insurer. I can see that Miss D asked Tesco during a phone call in mid-December 2022 why the claim was showing as a fault claim. And Tesco explained that it was because it was still open, and that the claim would be closed as non-fault if it recovered the money it paid out.

Tesco's records of a further phone call with Miss D on the first working day of January 2023 state that Tesco again explained that the claim would show as a fault claim until it was able to recover the money it had paid from the other driver's insurer. And it explained to Miss D that this was normal in the insurance industry. Tesco said it would chase the other driver's insurer. It did so straight away.

Tesco agreed to contact Miss D when there was an update. It chased the other driver's insurer, but there was no further information to pass on. I acknowledge that it could, perhaps, have contacted Miss D to tell her there was still no update, but I don't consider that I can fairly require it to pay her compensation for not having done so.

I'm sorry to disappoint Miss D, but taking everything into account, my current view is that I can't fairly uphold this complaint."

Further submissions

Miss D has told us she still believes Tesco didn't treat her fairly. She says it made her feel as if the accident was her fault, and left her with unanswered questions. But she says that she accepts my provisional decision, as there is nothing more she can do. Tesco hasn't responded to my provisional decision, and the time for doing so has expired.

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 don't think there is any good reason to depart from the findings I set out in my provisional decision.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 3 August 2023.

Juliet Collins

Ombudsman