

The complaint

Mr G's complaint is about the recording of a claim and subsequent increase in premium of his home buildings insurance policy with U K Insurance Limited trading as Direct Line.

What happened

In March 2023, Mr G contacted Direct Line after a vehicle crashed into his property causing damage to a garden wall. He says he was simply inquiring about potential cover but Direct Line registered it as a claim against his policy. Mr G says he received a call the next day from Direct Line to get information in order to proceed with a claim and he told the representative he had not made a claim.

When Mr G received the renewal details for his policy in May 2023, his premium had increased from £280 to £378.56. Mr G contacted Direct Line to ask about the increase and initially it told him it was the result of general cost increases. However, after he asked specifically, Direct Line confirmed the claim (which he says he did not make) had been taken into account and was the reason for the increase. Direct Line however said that as the claim had been withdrawn his no claims discount would be reinstated and the renewal premium would now be £323.68.

Mr G is very unhappy about this. He says he never registered this as a claim with Direct Line so there was no claim to withdraw; and he was told that if he did make a claim, it would not impact his premiums at renewal if the cost was recovered from the third party. Mr G has made a number of further points in support of his complaint. I have considered everything he has said but have summarised his main points below:

- The reinstatement of the no claims discount resulted in a 14.5% reduction in the premium. This is an odd amount and doesn't seem right after so many years without a claim. He therefore wants confirmation that the renewal premium, of £323.68, was correct.
- He would like to see the actual premium calculations, showing the no claims discount, and how it grows over the years of no claims.
- Direct Line created a claims situation and he believes it does so with any enquiry in order to automatically cancel a policyholder's no claims discount, which results in financial benefit to Direct Line.
- The representative that he spoke to about his premium did not have access to his record and had to check with another department as a result of his specific question. Why does Direct Line restrict customer service employees' access to relevant information about customers?
- This must be known to Direct Line's management and they have done nothing to rectify it, as it is financially beneficial to them.
- In April 2023, he received a letter apparently from the driver's motor insurer (which was also Direct Line) saying it was dealing with a claim on the driver's policy. The letter must have been triggered by Direct Line's recording of this matter as a claim on his policy, otherwise his neighbour whose house was also damaged would have got the same letter but he didn't; and the police told them the car was uninsured.
- He tried to log a complaint with Direct Line twice but it ignored him. He called and

said he wanted to raise a complaint. He was told someone would get back to him but no one did.

- He expects a specific and full apology from a legal director of Direct Line (not a manager) for the annoyance caused to him and the time he has wasted. The letter also needs to recite the specifics, rather than be a generic apology.

Direct Line says that any incident such as this is still recorded and it is entitled to take such incidents into account when setting its premiums. However, as it was not Mr G's fault, his no claims discount was reinstated. It says it has not done anything wrong.

One of our Investigators looked into the matter. She was satisfied that Direct Line had not acted incorrectly in registering the claim against the policy. The Investigator also said that she was satisfied that Direct Line had not acted unfairly when setting the renewal premium.

Mr G does not accept the Investigator's assessment, so the matter has been passed to me.

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.

I have listened to the phone call Mr G made to Direct Line in March 2023. He told Direct Line's representative what had happened to his property and said he didn't know if the policy would cover the damage to the wall. The representative said the wall would be classed as part of the buildings and there would be cover for the damage. She told Mr G that she would be able to get a claim logged and that once it had dealt with the damage, it would see if it could recover the cost from the driver. Direct Line's representative asked Mr G for some further information and said she'd log the details. The representative talked about the £250 excess and that a claim would make an impact on the renewal but if it was able to recover the costs then the excess would be reimbursed and the premium wouldn't be affected.

The representative said she would pass the details on to a team that would be in touch with Mr G to arrange to go out to his property and take photos of the damage and they would then pass it on to the team that would deal with the claim. She gave Mr G the claims team's phone number and a claim reference number and told him that they would be dealing with it from then on.

Mr G says he made this call out of interest but I think it is reasonably clear that Direct Line was recording the matter as a claim and I don't think it acted incorrectly in doing so.

The call Mr G received the next day was from the team allocated to arrange to take photographs of the damage in order to progress the claim. Mr G questions why this call was made but the representative had told him to expect that call.

The letter Mr G received does appear to be written on behalf of the driver's insurance. I cannot explain why Mr G and his neighbour were told the car was uninsured, or why his neighbour apparently didn't get a similar letter but I can see no evidence to suggest that this letter was sent by Direct Line in relation to Mr G's own insurance policy. There is no reason to think this letter was in any way untoward or triggered by Direct Line in relation to his policy.

Mr G contacted Direct Line to state he did not want to proceed with a claim but Direct Line was aware of the incident and I don't think it is wrong to record incidents even if a claim is not pursued, as they may still sometimes be relevant to the risk it was being asked to insure.

With regard to the renewal premium, Mr G has asked for precise details of how the no claims discount accrues and to see the actual premium calculations used by Direct Line to reach the premium quoted to him.

It is generally up to insurers to decide what cover they wish to provide and the premium that they want to charge for that cover, based on the risks that it thinks a customer presents. We have no power over how an insurer sets its premiums and can only assess if a customer has been treated fairly and in line with other customers. Similarly, individual consumers have a choice about which policy and which insurer they wish to take insurance with, or not take insurance at all – unless it's a requirement, legal or otherwise.

Normally insurers calculate a base premium rate for a policy that applies to all consumers and then other factors they consider relevant to the risk being covered are applied, which might bring that base premium up or down. Different insurers apply different factors but they might include an individual's claims history, the location of the property, the cost of repairs in that location, among other things.

The pricing criteria and calculation used by Direct Line are commercially sensitive. I can't therefore set out in detail the way that Direct Line set its premium. I have, however, considered the information it has provided; and Direct Line has confirmed that the no claims discount was fully reinstated and it did not have an impact on the premium change. So while I think Direct Line is entitled to take account of any incident (whether a claim is made or not) that might affect its view of the risk it is being asked to insure, it seems that it did not do so in this case.

Having considered everything provided to me, I cannot see that anything has been unfairly priced and it has applied its underwriting criteria consistently.

Mr G has also complained that the representative he spoke to about his premium didn't know about the incident and that his no claims discount had been reduced. He says this business model is continued, as it is to Direct Line's benefit. We do not regulate insurers and I have no power to make an insurer change its business model or processes generally. While I note that Mr G had to ask specifically about this, his no claims discount was reinstated as a result of this call and he was quoted the correct amount. I am therefore unable to take this part of the complaint any further.

Direct Line should have reinstated the no claims discount without Mr G having to ask about it. It should also have answered his complaint sooner. I agree that such matters are annoying but sometimes things go wrong. Such errors do not always warrant any compensation or other action. This was put right promptly and as I am satisfied Mr G was then quoted the correct amount, there was no financial loss to him. I do not therefore consider Direct Line needs to do anything further. I don't intend to ask Direct Line to apologise to Mr G. Even if I thought it had acted unfairly and an apology was appropriate, a forced apology would have no meaning.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 4 December 2023.

Harriet McCarthy

Ombudsman