

Consumer B response to Provisional Findings report

As a motorist I share the concerns raised in the enquiry by the Competition Commission into private motor insurance.

I have been seeing my car insurance premiums soar over the years and I found using comparison web sites that they often list several companies all owned by the same parent company and all these offer service that has received exceedingly poor reviews - other well thought of companies are not listed on these comparison web sites. So these sites are not the "fair comparison" they purport to be and they ensnare the unsuspecting motorist. As things stand, they probably constitute deceptive advertising and should be outlawed or strictly and actively regulated.

In processing a recent "no-fault" claim I am finding the cost of the repair is constantly subject to upward pressure by my own insurance company, their approved garage, their legal cost recovery team, and their approved Car Hire company.

I experienced what seemed like "resistance" to using my own preferred garage to get the repairs done quickly and efficiently rather than going via one of their "approved" garages.

A. KEEPING CLAIMS COSTS DOWN I think that you have put your finger on the problem in pointing out **that "In most cases, the party managing the accident claim, typically a non-fault insurer or intermediary, is not the party liable to pay the costs of the claim. There is insufficient incentive for insurers to keep costs down "**

In this instance however something happened that I have never experienced before - the other party's insurer contacted me direct (I am not sure of the protocol here or whether that infringed some T&Cs of my own insurer).

They made 2 offers:

- (1) They said that they would offer me Car Rental while my repair is done comparable to what my insurer had already offered me – they said the non-fault insurer often charges them twice the rate that they are able to get Car Hire for - so by letting them provide this service to me direct, I could help keep down costs and hence premiums.
- (2) They inspected my car in my drive (where the damage was visible for all to see) assessed the damage and made me an offer to either repair it at one of their approved garages or else to transfer the repair cost value direct to my bank account.

This made me think.

The AA advice is to have nothing to do with the other party's insurance company:

"What should I do if the other party contacts me?"

If you receive any correspondence from the third party, their insurer or solicitor forward this unanswered to your own insurer, and they will respond on your behalf.

If you are contacted by telephone please ask the caller to ring us on **0800 269 622**. Please do not agree to any of the services offered without talking to us first as any services offered by the third party may not be in your best interest."

Is this age-old advice entirely correct? Is it not in my interest to keep costs and premiums down? In that respect, I have a shared interest with the other party's insurer and my own insurer acts against my best interest as they don't care (and may in fact sometimes profit) if legal and repair expenses are inflated. On the other hand, in terms of getting the best service in terms of car hire and quality of repair my interest is in conflict with the "at fault" insurer – so there is need for some caution.

It gave me the idea that the problem you have highlighted that **"In most cases, the party managing the accident claim, typically a non-fault insurer or intermediary, is not the party liable to pay**

the costs of the claim. There is insufficient incentive for insurers to keep costs down “ could be solved. In cases where “fault” has been admitted, it could be made normal practice, legal and acceptable (and preventing T&Cs from excluding it) for the “at fault” insurance company to be allowed to compete directly to the client (private motorist in my case) with the “no fault” company to offer the repairs or a cash sum and any car rental needed while repairs are done. The motorist could then choose to take the better deal for them, which would often result in them taking the compensation for the claim direct from the “at fault” insurer. This may also remove or reduce legal fees for “no fault” company lawyers (paid at £280 an hour) retrieving money for the claim from the “at fault” party’s insurer. Such a procedure might also speed companies up in admitting fault (where fault is obvious) so as to help them keep down costs -at present they tend to resist admitting fault for as long as possible.

The probable result would be more cash payments with motorists getting repairs done to their own satisfaction using the money paid direct to them (and also perhaps some motorists accepting cheaper – yet maybe better - car hire from the “at fault” insurer to keep premiums down – for example not being provided with a grade better car “because that is all we have at the moment” yet having the car brought round conveniently to them) – hence the acolyte companies of the insurance company (approved repairers, lawyers, car) who generally increase the costs in their own interests, hirers would largely be cut out of the equation.

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B. VAT recovery on insurance repairs

When I contacted my insurer and suggested they offer a cash sum so I could get the repair done by my own garage to my own satisfaction they told me they might but that it would be less VAT. I think that this is because my vehicle is insured for leisure and business purposes (I commute to work) and there is an odd exemption in UK tax law that allows insurance companies to claim back the VAT on repairs they have done if the vehicle is ever used for “business use”. This strikes me as a loop hole and also it makes it less competitive as my preferred garage cannot compete with the insurance company’s garage on price since the latter get 20% VAT back.

As far as I know I am not as a private motorist allowed to claim back VAT (and even if I could it would be an administrative hassle) on repairs to my own vehicle – even if I use it to commute to work sometimes.

I suggest the law should be changed by legislation if necessary, or if it is possible by tighter guidelines & clarification from the Tax Office to prevent Insurance companies using this loophole to claim back VAT and so to compete unfairly in the insurance repairs market with private motorists and their chosen garage mechanics.

C. COMPARISON WEBSITES

- I have one further suggestion (so obvious that I expect you have already thought of it):

Regarding comparison web sites, could there not be a government run, taxpayer funded independent comparison web site? that could not charge the insurance companies and therefore would be run in the customers interest. I believe there are such web sites for Gas and Electricity.