

The complaint

Mr R complains Skyfire Insurance Company Limited unfairly increased the premium on his motor insurance policy when he moved to a new house, and that they took too long to tell him why the premium had increased so significantly.

What happened

Mr R renewed his motor insurance policy with Skyfire in March 2019. The policy was administered by another business but Skyfire were the insurer and were named on the certificate of insurance. Mr R chose to pay his premium in monthly instalments.

Mr R amended his address on-line and Skyfire issued an updated certificate of insurance with an increase in premium for the rest of the year. Skyfire sent an updated certificate of insurance to Mr R and an email telling him what his revised monthly instalments would be. After a direct debit wasn't paid, Mr R called Skyfire. They agreed to spread the missed payment over the remaining year and adjust the direct debit.

Mr R called Skyfire again the following month to tell them the next payment was due, but he wouldn't be paid until the following day. Skyfire said they would still attempt the payment but if it wasn't paid they would re-apply a few days later and would waive the fee for a failed direct debit as a gesture of goodwill.

No further payments were made on the policy and on 20 September, Skyfire wrote to Mr R to tell him the policy would be cancelled if he didn't pay the outstanding premiums. And that the premiums due up until the cancellation date would be payable. Skyfire say this letter was addressed to Mr R at his new address but was returned.

Mr R called Skyfire on 30 September and told them he hadn't been able to work due to long term problems but hoped he would be able to afford payments soon. After further discussions between Mr R and Skyfire about the premium, the policy was cancelled on 17 October. Skyfire passed the case to their collection department at the end of October.

In November, Mr R contacted a third party to act as his representative to help him obtain clarification from Skyfire why the premium on his motor insurance policy had increased significantly when he only changed address. Mr R's representative wrote to Skyfire in November and chased for a response twice more in December. When no response was received, Mr R and his representative raised a complaint with our service in January 2020.

Skyfire provided a final response to Mr R by email on 16 June. They explained why the premium had increased. They added Mr R had been sent a new certificate of insurance to reflect the amended premium and was told of the new monthly premium. Skyfire explained that because the direct debits were returned unpaid, and the arrears on the policy were unpaid, the policy was cancelled on 17 October 2019. They told Mr R the outstanding amount on the policy was £679.24 and that when this remained unpaid, they had issued a default notice in January 2020. Skyfire said they'd already waived the £50.00 cancellation fee and would deduct a further £30.00 default fee from the outstanding balance, leaving Mr R with £649.24 to pay. Skyfire said they didn't uphold the complaint and didn't think they had

done anything wrong because the address was changed by Mr R on line and the price accepted at that time.

Mr R was unhappy with the response from Skyfire and brought his complaint to our service. He said the increase in premium was excessive, and he had been harassed for payment even though Skyfire were aware the case was in dispute and he was vulnerable.

Our investigator looked into things for Mr R and thought that as Skyfire had made him aware of the increase in premium they didn't do anything wrong. And they were entitled to ask for the proportion of the premium due while the policy was in effect. Our investigator thought it wasn't unfair for Skyfire to pass the outstanding balance to a debt collection agency as they hadn't been able to arrange a repayment plan with Mr R. And our investigator thought because Mr R made the amendments to his policy on-line, Skyfire had no opportunity to consider Mr R's vulnerability.

Mr R didn't accept our investigators view and says that Skyfire knew the debt was in dispute but still passed the account to debt collectors. And this was at a time when Mr R was suffering from mental health issues and Skyfire were aware of this. Mr R said he considered the increase in insurance premium was exorbitant.

As I didn't agree with what our investigator thought I issued a provisional decision and asked Mr R and Skyfire for any further comments or evidence. In my provisional decision I said:

I consider there are two distinct aspects to Mr R's complaint, and I will address each in turn.

Increase in premium

Although I'm sure Mr R will be disappointed with my decision in this regard, for very much the same reasons as our investigator, I've provisionally decided not to uphold this complaint. I will now explain why.

When Mr R changed his address on-line, Skyfire acted quickly in telling him that his premium would increase and by how much. Therefore, Mr R was aware of the increase in premium and that the monthly direct debit would increase accordingly. I've seen that Mr R went on to have a telephone discussion with Skyfire about a missed direct debit payment in June, and he later told them the July payment may also be missed. In my view this persuades me Mr R knew of the amended premium and terms. Mr R also told Skyfire he couldn't afford the payments in September, and Skyfire tried to amend the pricing by lowering the value for his car, but the price of the cover didn't change. The policy was then cancelled in October with unpaid premiums and charges of £679.24.

I empathise with Mr R that it would've been a shock to be told his premium would increase significantly because he had moved address. However, we can't tell a business what they should charge for motor insurance cover, but we can assess whether they treated a consumer fairly when they increased the premium. I've seen how Skyfire calculated the new premium and I've reviewed their calculations and I can't see that they have done anything wrong here. They've shown me the factors they considered and how the difference in premium was calculated. I'm satisfied that the significant factor in the increase in premium is related to the change of address.

Mr R and his representative say Mr R could obtain insurance cheaper from another insurer and I accept that may be the case. However, insurers may have different factors they take into account, and this may result in a different premium based on

similar circumstances, but this doesn't mean Skyfire have done anything wrong. Mr R accepted the premium increase at the time and made at least one of the new monthly payments, so it's reasonable for me to conclude he was aware of the ongoing cost of the cover. I understand Mr R later had problems meeting the cost of the cover due to health issues, but I will address this later in my decision.

So, I've provisionally decided Skyfire didn't treat Mr R unfairly when they increased the premium on his motor insurance policy after he changed his address.

Communication before and after the policy was cancelled

The policy was cancelled on 17 October 2019 and I've seen that Skyfire's notes say they called Mr R the day after and left a voicemail message. There was no further contact until Mr R's representative wrote to Skyfire on 12 November requesting an explanation for the premium increase and clarification of the outstanding amount on the policy. The representative chased Skyfire for a response twice more in December, and in the second letter enclosed a Debt and Mental Health Evidence form that highlighted Mr R's vulnerability. Although our investigator says he couldn't be sure these letters were sent, I have a different perspective on this issue. The letters are correctly addressed, and I'm persuaded it's more likely the letters were sent by the representative. It's possible a letter may not have arrived at Skyfire, but I think it's unlikely that all three didn't arrive.

I've not been provided with any response to these letters, nor have I seen any reference to them in Skyfire's notes, but I've seen Skyfire did write to Mr R on 17 January 2020 to issue a default notice. Skyfire then passed the account to a debt collection agency on 17 March.

It wasn't until Mr R's representative raised his complaint with our service and we contacted Skyfire that they issued a response to his concerns. The final response in June 2020 explained why the premium increased and what the outstanding balance on the account was. However, Skyfire didn't address the delay in responding, nor why the account had been passed to a debt collection agency when it was in dispute. It also didn't address the health concerns Mr R had mentioned in his September 2019 call, and which his representative had also highlighted.

Mr R's representative says he then had to email the debt collection agency to advise them of Mr R's vulnerability and tell them the matter was being considered by our service. The debt collection agency responded and said they had closed the account and passed it back to Skyfire in view of the concerns raised.

The Financial Conduct Authority (FCA) defines vulnerable customers as, "someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care". And, the FCA has told business that when a customer seeks help and support they should treat them with sensitivity and flexibility and be responsive to their needs.

As early as 30 September 2019, Skyfire ought to have been aware Mr R had health issues that may have already been impacting his ability to pay premiums for a few months. Indeed, in their response to Mr R's telephone call that day, Skyfire said they were sorry to hear he had been unwell. I would've expected Skyfire to have been proactive here and ask Mr R if he needed any support and, if he did, what support they may be able to offer him if required. I can't see this happened here.

Skyfire missed a further opportunity to consider Mr R's vulnerabilities in December

2019 when his representative sent them the Debt and Mental Health Evidence form. I've reviewed the Debt and Mental Health Evidence form and I'm persuaded the failure of Skyfire to acknowledge Mr R's vulnerability would've added to his stress and affected his mental health issues at this time. Skyfire compounded this further by passing Mr R's account to a debt collection agency who continued to chase him for payment. And, although I've not been provided with specific text messages, emails and letters from the debt collection agency, I'm persuaded they would have been chasing Mr R for payment because Mr R's representative felt the need to write to them separately to ask them to consider their actions. I'm persuaded this would have had a further negative impact on Mr R's mental health, and I don't consider referring the debt to a third-party demonstrates any degree of sensitivity and flexibility of Mr R's needs.

So, although I've provisionally decided Skyfire didn't treat Mr R unfairly when they increased his premium, I consider their communication before and after the policy ended didn't take into account Mr R's vulnerability. I consider Skyfire's delay in providing Mr R with a response to the enquiries made by his representative, and their subsequent escalation of the account to a debt collection agency after they had received evidence of Mr R's vulnerability, would've made this more stressful for Mr R.

Skyfire ought reasonably to have been aware of Mr R's vulnerability in September 2019, but their final response to the complaint didn't address this matter. And even after responding to the complaint Skyfire didn't take steps to stop the ongoing contact from the debt collection agency. Mr R's representative had to raise the matter with this agency directly. This will have had an ongoing impact on Mr R's mental health. So, for almost a year, Skyfire failed to recognise Mr R was vulnerable. They didn't take action that was positive or treat him with sensitivity and they showed no flexibility by proceeding to instruct a debt collection agency without considering the impact on Mr R.

I'm persuaded that Mr R's representative submission that he was left feeling suicidal and depressed is likely to have been the case. Therefore, I intend to tell Skyfire to pay Mr R the sum of £500.00 to reflect the impact on him of their failure to take into account his vulnerability when they ought to have known he may have been susceptible to detriment. The provisional remedy is at this level because Skyfire didn't take any positive steps or show any sensitivity to Mr R's vulnerability even after they provided a final response. Mr R's representative had to make further submissions direct to the debt collection agency to ask them to stop contacting Mr R. This exacerbated the impact on Mr R for several more months.

My provisional decision

I've provisionally decided that Skyfire Insurance Company Limited didn't treat Mr R unfairly when they increased his motor insurance premium. However, I've provisionally decided that Skyfire Insurance Company Limited failed to positively and sensitively support Mr R when they were made aware of his vulnerability, and they should pay Mr R £500.00 to reflect the impact this had on him.

Both Mr R and Skyfire accepted my provisional decision.

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.

As both parties accepted my provisional decision I have decided to adopt this as my final decision. I've therefore decided Skyfire didn't treat Mr R unfairly when they increased his motor insurance premium, but they did fail to positively and sensitively support Mr R when he told them of his vulnerability. I consider Skyfire is entitled to request the outstanding premium from Mr R, but that they should pay him £500 to reflect the impact on him of their failure to recognise his vulnerability.

My final decision

My final decision is that I uphold the complaint and Skyfire Insurance Company Limited should pay Mr R the sum of £500 for the reasons I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my final decision before 7 May 2021.

Paul Lawton
Ombudsman