

The complaint

Ms S complains that Hastings Insurance Services Limited unfairly increased the premium on her motor insurance policy, and charged her a cancellation fee when she cancelled it as a result.

What happened

Ms S took out a motor insurance policy through Hastings. She applied for the policy on a price comparison website. The policy started around three weeks after Ms S's application was accepted. The premium for the policy was payable by 12 monthly instalments, and came to £202.67, including interest on the instalments.

Two weeks after the insurance started, Hastings wrote to Ms S, asking her to confirm her occupation. She told it she wasn't employed, due to a disability. Hastings told her she'd previously specified her occupation as a housewife. And as a result of what it described as "*differences in the information you gave us*", the cost of the policy would increase by £112.18. This included a change administration fee of £30.

Ms S wasn't happy with the increased cost of the insurance, and she cancelled it. Hastings told Ms S that the amount due for the time the policy had been live was £83.70. This included its policy arrangement fee of £20 and cancellation fee of £45. Ms S had paid a total of £33.77, so it said a balance of £49.93 was due. Ms S didn't pay that amount, and Hastings instructed a debt collection agency to recover it from her.

Ms S believes she's paid for longer than the policy was live for, and has been charged for a mistake that wasn't hers. She says she's had to spend a lot of time speaking to Hastings' staff on the phone, and they haven't called her back. And she's been contacted by debt collectors.

One of our investigators considered Ms S's complaint and thought it should be upheld. In summary, he said he thought it was reasonable that someone might consider themselves a housewife as well as not working because of a disability. Hastings hadn't responded to his requests for information about exactly what Ms S had been asked when she applied for the policy. So based on what he'd seen, he didn't think Ms S had misrepresented her occupation. And he said Hastings should remove the cancellation fee and any negative markers it may have reported on Ms S's credit file. And he said it should pay her £100 compensation.

Ms S was happy with the investigator's view. Hastings hasn't made any further comments and the time for doing so has expired. So the complaint's 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've decided to uphold Ms S's complaint. I'll explain why.

Although we've asked Hastings several times to provide evidence of the precise questions Ms S was asked when she applied for the policy, it hasn't done so. Hastings has told us that when Ms S applied for the policy she indicated that her occupation was a housewife.

I don't know whether Ms S simply wrote her answer in a blank space on the application, or selected from a drop-down list. And if there were options to choose from, I don't know what they were. But I don't consider that being a housewife and not being employed due to disability are mutually exclusive. So in the absence of any evidence about the questions that Ms S was asked when she applied for the insurance, I've seen nothing to make me think that she misrepresented her position, or that she should have specified at the outset that she wasn't employed due to disability.

I acknowledge that given that Ms S applied for the insurance on a price comparison website, it's unlikely that Hastings wrote the questions itself. But it had a responsibility to obtain the information from Ms S that the underwriter needed in order to decide whether it was willing to offer Ms S insurance, and if so, on what terms. And this information should have been gathered by asking Ms S clear and specific questions.

As it turned out, the insurer would only have been willing to offer cover for a higher premium if it had known that Ms S wasn't employed due to disability. But I've seen nothing to suggest that she concealed this or misrepresented her position during the application process. And based on the limited evidence provided, I consider that the responsibility for the unexpected increase in premium lies with Hastings, not with Ms S.

I'm satisfied that Hastings has correctly calculated the premium chargeable to Ms S for the time the policy was live, including interest on the direct debit. But taking everything into account, like the investigator, I don't consider it fair of Hastings to charge Ms S a cancellation fee for the policy. And I can see that repeated phone calls to Hastings and, subsequently, contact from debt collectors would have been unpleasant and stressful for Ms S. So I consider the £100 recommended by the investigator to be reasonable to reflect the trouble and upset Ms S has experienced.

Putting things right

To put things right, Hastings Insurance Services Limited should:

- Remove the £45 cancellation charge;
- Pay Ms S £100 to reflect the trouble and upset this matter has caused her;
- Remove any negative information it's recorded on Ms S's credit file.

My final decision

My decision is that I uphold this complaint. I require Hastings Insurance Services Limited to put things right by doing as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 8 October 2021.

Juliet Collins
Ombudsman