

The complaint

Ms S complains Hastings Insurance Services Limited trading as Hastings Direct (Hastings) didn't make clear the total amount payable on her policy when she changed her car.

What happened

Ms S purchased a motor insurance policy through Hastings on 3 October 2019. The policy which was underwritten by Insurer A, provided cover for a Vauxhall Adam. Ms S paid £314.22 for this policy, by way of a monthly direct debit for £26.19.

Later the same month Ms S changed her car to an Audi Q3. She went online to search for quotes for a new policy to cover her new car. Within the quotes she obtained were the following:

	Annual cost	Monthly Cost / Total cost
Other Insurer	£323.57	1x£48.69, 10x£30.40 / £352.69
Hastings	£360.39	£34.51 / £414.09

Ms S noticed when she was on the Hastings' website that she could choose to amend her existing policy instead of taking a new one – so decided to see how much this would cost. Ms S says the quote to make the change was £243.32. She says that as this was considerably less than the quotes she'd gotten for a new policy, she called Hastings to check it was correct. She says Hastings confirmed to her that the amount quoted was all she'd have to pay, and she could make the payment online or over the phone. Ms S chose to make the payment online, and the change took place with effect from 20 October 2019.

On 30 October 2019 Ms S noticed that Hastings had taken a direct debit payment of £26.19 from her bank account. She called them as she thought this must be a mistake on its part.

Hastings explained the payment Ms S had made for £243.32 was for the premium increase and the admin charge only, and this was in addition to the £314.22 for the original policy.

Ms S disputed this and raised a complaint with Hastings. She said that it had been misleading in what it had told her, and had she realised the total cost for the policy would be in excess of £500, she would have cancelled the policy and bought a new one at a much lower cost. Hastings looked into matters, it said when a change is made on a policy if there is an additional premium due, and it's over a certain amount, it gives the option to pay the additional premium in full or to spread it across the remaining monthly payments. It also said that the call Ms S had had with it only discussed the level of cover the policy would provide and as such it couldn't uphold her complaint.

Ms S didn't think that Hastings had acted fairly and so brought her complaint to this service.

One of our investigators looked into Ms S complaint, initially he didn't uphold it as he said Hastings had acted fairly. But he later reviewed the case again and upheld it, in summary he

said:

- Hastings hadn't been able to trace Ms S' quote for £360.57 but he was satisfied she had one and it had been like for like on cover with her existing policy, bar the change in car.
- Hastings was not able to give a reasonable explanation for the premium difference between the two policies and so it should refund Ms S the difference of £197.15

Ms S agreed with the investigator, but Hastings did not, in summary it said:

- It was unable to locate Ms S quote, so it hadn't been able to see it was like for like in comparison.
- There were factors such as engine size and car value that would have affected the cost, so it found it highly unlikely she would have had a quote for the amount shown.

So, the matter was passed to me to decide. I issued my provisional findings, below, on 24 August 2021 and invited both parties to respond.

I want to be clear here I have not considered if the additional premium Ms S was charged was fair. This is because Insurer A is responsible for setting its prices. Instead I have considered if Hastings, when providing Ms S information, regarding the cost of amending her policy did so in a clear format enabling her to make an informed choice. And I don't think it did, I'll explain.

Hastings has been provided with the screenshot Ms S took of her quote including a reference number, it says it's been unable to retrieve the quote. Ms S says the quotes were like for like. So, I've had to look at what's more likely here and I'm persuaded that the Hastings quotes were like for like. I say this because once Ms S had obtained the new quotes, she looked at how much it would cost to amend her current policy and then called Hastings to make sure the level of cover would stay the same. This indicates to me this was the level of cover she required, and she didn't want to make changes to what she already had, other than to change the car.

As I don't have the finer details of the LV quote, I have discounted this one as I can't fairly say it was more likely to be like for like.

As I've accepted the Hastings quotes are more likely to be like for like, I now must decide how the information was presented to Ms S. I have seen a screenshot of the information provided to Ms S, it says:

Updated costs and fees

Making a change to your policy might increase or decrease the risks associated with your insurance, and your premium may change as a result. The price could go up or down, but it will be the same price online as over the phone.

Price breakdown for 20/10/2019

including all fees, taxes and cover additions or upgrades.

Cost of change £223.32

Amendment fee £20.00

Total Cost £243.32

This includes your current interest rate

Add to my loan

*This would make your next direct debit
£51.59*

Pay now by card

£243.32

I don't believe it's clear from the screenshot that the total cost would still leave a balance to pay. Based on this I can see how Ms S reasonably assumed the total cost for her to pay on this policy, given that she had already used some of the policy with the previous car, would be £243.32. So, it follows I'm not persuaded Hastings provided Ms S with clear information so she could make an informed decision.

Ms S has told us that had it been clear the total cost for the policy would be £557.54 she would have cancelled the existing policy and taken a new policy out at a cheaper price. If she had done this Ms S would have had to pay a cancellation fee on her existing policy of £45 and a policy premium of £360.39 making a total of £405.39. This leaves a difference of £152.15. I've no reason to believe she wouldn't have done this as it seems to me it would've been the most sensible option available to her.

I think the fairest way to put things right for Ms S, is for Hastings to now pay Ms S the difference, it should also add 8% simple interest to the payment from the date she amended the policy until the date of payment.

Ms S responded accepting my provisional findings.

Hastings responded rejecting the findings, in summary it said:

- As Ms S had only made one payment towards her premium for the that year, it was unrealistic for her to believe her premiums would go down.
- Documentation was sent to Ms S after she made the amendment which stated the cost for making the change was £243.32, it went on to say the price included a premium increase and an admin fee.
- Ms S continued her insurance for the rest of the year and didn't cancel – if she had believed she could get a better price elsewhere she would have cancelled the policy and done this.

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 will address Hastings response below, but before I do, I must let it know that I've reached the same decision as in my provisional findings.

It was unrealistic for Ms S to believe her premiums could go down.

Ms S is a lay person so I don't expect her to know or understand how the risk based pricing insurance works, as its based on many factors and algorithms but I do expect that she should be able to rely on the information Hastings was presenting to her. As I explained in my original findings the screenshot form Hastings' website says:

Making a change to your policy might increase or decrease the risks associated with your insurance, and your premium may change as a result. The price could go up or down, but it will be the same price online as over the phone.

Given this I don't think it was unreasonable or unrealistic for her to believe there was a possibility that her premiums could go down.

Documentation sent to Ms S after the change was made.

It has not been disputed that information was sent out to Ms S *after* she had made the change. But my decision here relates to if Ms S was given enough clear information *before* the change to be able to make an informed decision and I still maintain that she wasn't. If she had been aware before making the change then I think it's more likely than not that she would have cancelled her existing insurance policy and taken out a new one.

Ms S continued with the policy for the rest of the year

When Ms S was first aware of the increase, she raised the issue directly with Hastings and waited for it to respond – believing it was an admin error. By the time Hastings issued its final response on her complaint, she was two months into the policy and had already made a lump sum payment on the policy, two monthly instalments and a third one about to be paid, had incurred an admin fee, for the change and would now be looking at incurring a cancellation fee. So, she decided to bring her complaint to this service to resolve matters instead of cancelling the policy. And I don't think that was an unreasonable thing for her to do in the circumstances.

The further arguments Hastings has put forward hasn't changed things for me. So overall, I'm not persuaded that Ms S wasn't given enough clear information to make an informed decision before making a change on her policy.

Putting things right

As I explained in my provisional findings, noted above, to put things right here Hastings should:

- Pay Ms S £152.15
- Add 8% simple interest to this from the date the policy was amended until the date of payment.

My final decision

My final decision is that I uphold Ms S complaint against Hastings Insurance Services Limited trading as Hastings Direct.

I now require it to settle this complaint as described in the "putting things right" section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 4 October 2021.

†Her Majesty's Revenue & Customs may require that Hastings deduct tax from the interest paid to Ms S. If it does and Ms S requests it, Hastings must provide her with a certificate showing how much tax it has taken off, so she may reclaim it if appropriate

Amber Mortimer
Ombudsman