

The complaint

Miss B has complained about Skyfire Insurance Company Limited. She isn't happy that it turned down a claim she made under her motor insurance policy.

What happened

Miss B took out her motor insurance policy with Skyfire in April 2019 and let her insurer know that she had been involved in a minor incident in a car park at work. However, Skyfire advised Miss B that she didn't have commuting cover on her policy and so it wouldn't cover her for this incident if the other side made a claim.

Miss B explained she didn't need commuting cover when she applied in April 2019. But her position had changed by the time she had the minor incident and she had started to use her car to get to work. Skyfire explained to her that there would be a very small increase in premium (a few pounds) to add commuting to her policy.

Miss B didn't think anymore about it as she wasn't looking to claim and the incident was very minor, just involving small scratches. So, she was surprised to find out a few years later that the other side had in fact made a claim and Skyfire was now looking for its costs from Miss B of over a thousand pound. Miss B then complained to Skyfire and as it maintained its position she complained to this Service.

Our investigator looked into things for Miss B and upheld her complaint. She was of the view it was clear that Miss B wasn't being dishonest and had called in order to be open and honest about a potential claim as she wasn't really aware that she needed commuting on her policy. And given the very small difference in the cost of the policy (with commuting added compared to without it) she was satisfied Miss B just wasn't fully aware that she needed to tell Skyfire about the change in use. So, she thought the fair and reasonable thing to do was for Skyfire to settle the claim on a proportionate basis. And she thought it should pay Miss B £100 in compensation as it didn't keep her informed about the claim as well.

Skyfire didn't agree. Although it accepted it should have kept Miss B informed about the claim it maintained that Miss B clearly breached the policy terms and it didn't matter if Miss B made an honest mistake or not as she should have told Skyfire about the change in use of her car. So, the matter has been passed to me for review.

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.

Having done so I think the complaint should be upheld. I know this will come as a disappointment to Skyfire but I'll explain why.

I know Skyfire feel the claim shouldn't be dealt with on a proportionate basis as it simply feels that Miss B should have told it about a change in use of her vehicle and to fail to do so

was a breach in the policy terms and conditions. But, as Skyfire is aware, this Service has long had an approach of dealing with cases on a fair and reasonable basis. And in this instance Miss B simply didn't realise she need to tell her insurer about what she perceived to be a small change (in that she had started to drive her car to work) and clearly thought she had this cover in place when she called to openly and honestly tell Skyfire all about the very minor incident.

I agree with our investigator that Miss B would have simply dealt with the very minor incident herself by agreeing things with the third party if she was aware that she had done something wrong. And I'm persuaded she would have paid the few extra pounds premium if she had realised she needed to call Skyfire when she changed the use of her car. Plus, I'm sure that Miss B would have told Skyfire about the change when asked clear questions again at the time of renewal.

Ultimately, I think Miss B didn't realise she needed to tell Skyfire about the change and I think Skyfire's approach has produced an unduly harsh outcome in the circumstances. Skyfire added commuting on the day Miss B called in about this incident at a cost of £6.43 and would have added the cover from the beginning of the policy. Based on this I agree with our investigator that Miss B's honest mistake here shouldn't lead to her having to pay the full cost of the claim when Skyfire would have simply charged a small additional premium. So it seems fair, in the particular circumstances of this case, to settle the claim on a proportionate basis.

Given all of this I think the fair and reasonable thing to do, in the particular circumstances of this case is for Skyfire to deal with Miss B's claim on a proportionate basis. And I agree that Skyfire should pay Miss B £100 compensation for the clear stress and inconvenience it caused by not telling her about the claim and chasing Miss B for the outstanding debt.

My final decision

It follows, for the reasons given above, that I uphold this complaint. I require Skyfire Insurance Company Limited to pay Miss B's claim on a proportionate basis (I will leave Skyfire to work out the percentage calculation) and pay Miss B £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 23 September 2022.

Colin Keegan
Ombudsman