

The complaint

Mr B complains that UK Insurance Limited, trading as Churchill ("UKI") reduced his no claims discount (NCD) unreasonably after he had an accident. And he says it was unsympathetic when he told it about the impact the resulting increase in premiums had on him.

What happened

Mr B has a comprehensive motor insurance policy with UKI. He had many years of no claims discount (NCD) entitlement. In 2021 he was involved in an accident for which he accepted responsibility. He notified UKI, who recorded a fault claim on Mr B's record.

When Mr B received his renewal quote the following year, he noticed that his NCD had been reduced to three years.

Mr B isn't happy about the reduction. Before the incident, his NCD had been noted on his policy schedule for some years as "9 or more years". He says he'd never previously made a claim in many years of driving.

As a result of the reduction in NCD Mr B's insurance premiums increased significantly. He says he's financially stretched, and the increase has caused him stress and worry about whether he can afford to feed his family. He says he raised this with UKI, but it was unsympathetic.

One of our investigators considered Mr B's complaint and thought it should be upheld. In summary, he accepted that under the policy terms if a policyholder had more than five years' NCD, a single claim would reduce it to three years. But he didn't think this had been made clear to Mr B during the sales process. And he thought that if UKI had made its process for stepping back the NCD clear when Mr B took out the policy, he'd have opted to protect it.

So the investigator said UKI should offer Mr B the chance to pay the additional premium to protect his NCD. He said that if Mr B wished to do that, UKI should reinstate his NCD, recalculate his premium to reflect this and refund the difference to Mr B. And he said UKI should pay Mr B £50 to reflect the distress and inconvenience he'd experienced.

UKI wasn't happy with the investigator's view. 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.

Having done so, I've reached the same conclusion as the investigator, and for similar reasons.

Mr B's told us that when he applied for the policy, he selected "9 years or more" when asked to input how many years' NCD he had. Although he says he'd been driving for around 18 years without making a claim, that was the most that could be input. "9 or more years" NCD was shown in Mr B's insurance policy schedule.

Most insurers have a maximum number of years' NCD that they will take account of. And it's common for insurers to reduce an NCD by two years from their maximum NCD allowance in the event of a fault claim.

As Mr B has said, UKI recognises a maximum of nine years' NCD entitlement. But under Mr B's policy, for the purposes of reducing NCD following a claim, UKI effectively disregards NCD entitlement above five years. And I don't think it would have been obvious to Mr B when he applied for the policy that even if his NCD was nine years or more, it would be stepped all the way back to three years following a single fault claim.

I can understand how, when asked whether he wished to protect his NCD, Mr B opted not to. UKI had allowed him to specify that he had nine or more years. He was right in assuming that a single claim would reduce the NCD by two years. So I can see how he'd have assumed that he'd still have a healthy NCD if he had to claim. But what he didn't realise was that the starting point, for the purposes of the reduction, was five years, not nine. So he was lulled into a false sense of security.

I acknowledge that the policy document sets out the NCD step-back scale clearly. UKI has also provided a copy of an "Important Information" document, which it says Mr B would have received, along with the policy document, when he accepted his policy. But by then Mr B had already made his decision to take out the policy.

I realise that Mr B may have had an opportunity to look at the policy document during the sales process, but I don't consider that to be enough. A provision like this might well come as a surprise to a consumer. And I think it's significant enough that it might make a difference as to whether they decide to protect their NCD - or even to take out the policy at all. So I'd expect the business not only to make it clear in documents it sends to the consumer once the policy's taken out, but also to draw their attention to it clearly during the sales process. Based on what I've seen, I'm not satisfied that UKI did that here.

Mr B says that if he'd realised that his NCD would be reduced so significantly as a result of a single claim on his policy, he'd have paid the extra to protect it. I find what he says convincing. And I think that UKI should allow him to do this retrospectively.

I also accept that Mr B has experienced stress as a result of the unexpected reduction that UKI made to his NCD. I think the £50 that the investigator recommended to reflect this is fair and reasonable.

Putting things right

To put things right UKI should:

- Apply NCD protection retrospectively to Mr B's policy from the date of the August 2021 renewal onwards;
- Recalculate Mr B's premium from the date of the August 2021 renewal onwards to reflect the protected NCD and refund to Mr B the difference between the total that he has paid and the total that he would have paid if he had chosen to protect his NCD starting from the August 2021 renewal date;
- Explain to Mr B how it has calculated the refund; and
- Pay Mr B £50 compensation for the distress and inconvenience he has experienced.

My final decision

My decision is that I uphold this complaint. I require UK Insurance Limited, trading as Churchill 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 Mr B to accept or reject my decision before 15 December 2022.

Juliet Collins
Ombudsman