

The complaint

Mr M complains about his insurer, I Go 4 Ltd (IG4), pursuing him for premiums for his motor insurance policy when he'd paid the premium by a lump sum.

Any reference to IG4 in this decision includes their agents.

In making his complaint, Mr M was supported by a representative. References to Mr M include his representative.

What happened

In September 2021 Mr M took out a motor insurance policy with IG4, for which he paid a lump sum premium of £1,345.14 to cover the full year of the policy. This included a fee for a 'black box' device to be fitted in his vehicle, which would record data on how Mr M drove. He received the device and installed it in his vehicle, which initially worked normally. Two months later, Mr M was contacted by IG4 to say that, having considered data received from the device, his driving style meant he was entitled to a refund on his premium (£78.86). But this wasn't received.

Shortly afterwards, IG4 contacted Mr M to tell him the charge level on the device was low and that while it was solar-powered, the device may need additional charging. He purchased what he thought was the necessary charging equipment. A few weeks later, IG4 contacted Mr M again to say they weren't receiving data, asking him to contact them so they could advise him how to get the device working again. But they also said that if data continued not to be received, they would cancel the policy.

Mr M contacted IG4 to tell them he'd tried charging the device with the additional charging equipment he'd bought but couldn't get the device to work. He then contacted IG4 to request a replacement device. But he couldn't get a substantive response.

IG4 then contacted Mr M to say that they were cancelling his policy and would charge a £75 cancellation fee, as well as a charge for the time on cover under the policy. They also said they wouldn't refund the £150 charge for the device. Mr M tried to contact IG4 to explain the situation, also telling them he needed his vehicle to be insured because he was receiving medical treatment and needed to travel to attend medical appointments. But he couldn't get IG4 to respond to him. Thinking his policy would be cancelled (and needing cover so he could continue to travel to his appointments) Mr M took out cover with another insurer, although at higher cost (£2,307.85). He also complained to IG4 about what had happened.

IG4 uphold the complaint. In their final response, they said they'd issued a notice of cancellation of the policy when they weren't receiving data from the device – but when they then investigated matters, found an issue with the device. They extended the notice of cancellation and didn't cancel the policy. However, they didn't tell Mr M about this. As he wasn't aware (and thinking his policy was going to be cancelled) Mr M sought alternative cover. Following discussions with IG4, Mr M advised he wished to proceed with cancelling the policy. So, IG4 cancelled the policy, backdated to the original date of cancellation in the

notice they'd sent (the date Mr M took out his alternative cover). IG4 also said they'd not issued the refund of premium Mr M was told he would be receiving – but had now done so.

In recognition of the issues that had arisen, IG4 said they would remove the £75 cancellation fee and refund the £150 fee for use of the device. In addition, they would issue a refund of the premium paid for the unused period of cover (£913.22) after the date of the policy cancellation. But they wouldn't reimburse Mr M for the difference in premium between his policy with IG4 and the policy with the new provider. But they offered £200 in compensation for the distress and inconvenience caused to Mr M.

Mr M complained to this service. He said IG4 unfairly pursued him for additional sums, even though he'd paid a lump sum. He was also unhappy at IG4 continuing to communicate with him after he'd told them he was in hospital and they should contact his representative.

Our investigator upheld the complaint, concluding IG4 hadn't acted fairly. He thought IG4 had acted fairly in not charging the policy cancellation fee and refunding the device fee, as well as refunding the premium for the unused period of cover (meaning Mr M had only paid for the time the policy was in force, to the date of cancellation). However, the investigator didn't agree with IG4's position that they wouldn't reimburse Mr M for the higher premium he'd paid for his new policy. In the circumstances, the investigator thought it was reasonable for Mr M to take out an alternative policy with another provider (given the issues he'd had with IG4). So, the investigator thought IG4 should reimburse Mr M for the higher premium he'd had to pay with the new insurer.

IG4 disagreed with the investigator's view and asked that an ombudsman review the complaint. They said they'd sought to address Mr M's concerns, but it was his decision to take out cover with another insurer. On the date Mr M took out cover with another insurer, his policy with IG4 was still in force. As such, they didn't think they should be held accountable for any higher premium from the other insurer.

In my findings, I came to a different conclusion to our investigator on the issue of IG4 reimbursing Mr M for the higher premium he'd paid with his new insurer. I agreed it was reasonable for IG4 to reimburse Mr M for the additional premium he paid for the policy taken out with another insurer. However, I didn't think it fair and reasonable for this to be the difference between the premium he paid for his policy with IG4 (£1,345.14) and the premium he paid for his new policy (£2,307.85). Which is £962.71. That's because the two figures were for differing periods of cover. IG4 have refunded the premium for the unused period of cover of their policy (£913.22). Applying a pro rata of the same unused period to the full-year premium of his new policy gives a figure of £1,568.07 – which is a difference of £654.85. I thought it reasonable for IG4 to reimburse Mr M this figure.

I also thought it fair to add interest, at a rate of 8% simple, on the difference of £654.85 from the date he paid his new premium to the date IG4 reimburses the difference.

Because I reached a different conclusion to our investigator on this point, I issued a provisional conclusion to give both parties a chance to consider matters further. This is set out below.

What I've provisionally decided – and why

I've considered the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I'd first want to say to Mr M that I appreciate his circumstances and what he's told us about the medical treatment he's been receiving for a condition. I know it is a difficult situation and I

can understand why having insurance in place for his vehicle is very important to him. I've borne this in mind when deciding whether IG4 has acted fairly towards Mr M.

The key issue in Mr M's complaint where there is disagreement between him and IG4 concerns the higher premium he paid when he took out cover with another insurer at the point he thought his policy with IG4 was to be cancelled. Mr M says he had lost confidence in IG4 from what had happened, so wasn't willing to accept their offer to continue the policy. He needed to have cover so he could travel for medical appointments, he took out cover elsewhere. Given the higher premium he's paid, he thinks IG4 should compensate him for the difference. For their part, IG4 say it was Mr M's decision to take out alternative cover elsewhere, rather than continue his policy with them. (as they hadn't actually cancelled it). As such, given it was his decision, they don't think they should be accountable for the higher premium he's paid.

While this is the key issue for me to consider, I've also considered the other issues in the complaint. These were that IG4 unfairly pursued him for additional sums, even though he'd paid a lump sum. He was also unhappy at IG4 continuing to communicate with him after he'd told them he was in hospital and they should contact his representative.

On the first of these issues, IG4's final response included their waiving the £75 cancellation fee that would normally apply to a policy cancellation, as well as refunding the £150 fee for use of the device. In addition, they've refunded the [pro rata] premium paid for the unused period of cover (£913.22) after the date of the policy cancellation. This means Mr M had only paid for the cover provided from the date the policy began to the date of cancellation. I think this is fair and reasonable in the circumstances of the case.

IG4 also acknowledged in their final response that they hadn't told Mr M about their extending his notice of cancellation and that they hadn't cancelled his policy as they'd initially given notice of. In recognition of the stress and inconvenience this would have caused Mr M, they awarded £200 in compensation. In the circumstances of this case, I think that's fair and reasonable.

Coming back to the key issue of disagreement, whether Mr M should be reimbursed for the higher premium he's had to pay for his new policy, I've thought about this carefully. Given the specific circumstances of the case, I've concluded it would be fair and reasonable for IG4 to do this. I'll set out why I've come to this view, together with how I think IG4 should put things right.

As set out above, IG4 accept they didn't tell Mr M about their extending his notice of cancellation and that his policy hadn't in fact been cancelled from the date they initially gave notice the policy would be cancelled. There's also a call at the time in which Mr M set out his circumstances was disconnected, and IG4 didn't call him back. In the circumstances, particularly the medical condition requiring Mr M to travel for treatment, I think it's understandable Mr M was anxious to ensure he had cover for his vehicle. Particularly given the point IG4 acknowledge about not telling Mr M about the extending notice of cancellation. Given what happened and the issues that arose with the device, which subsequently were found to be a result of a fault with the device, I think it's understandable why Mr M didn't want to continue his policy with IG4.

Given these conclusions, I think it's reasonable for IG4 to reimburse Mr M for the additional premium he's paid for the policy taken out with another insurer. However, I don't think it's fair and reasonable for this to be the difference between the premium he paid for his policy with IG4 (£1,345.14) and the premium he paid for his new policy (£2,307.85). Which is £962.71. That's because the two figures are for differing periods of cover. IG4 have refunded the premium for the unused period of cover of their policy (£913.22). Applying a pro rata of the

same unused period to the full-year premium of his new policy gives a figure of £1,568.07 – which is a difference of £654.85. I think it's reasonable for IG4 to reimburse Mr M this figure.

As I understand Mr M has paid the premium for his new policy from its inception, I think it's fair to add interest, at a rate of 8% simple, on the difference of £654.85 from the date he paid his new premium to the date IG4 reimburses the difference.

My provisional decision

For the reasons set out above, my provisional decision is that I uphold Mr M's complaint. I intend to require I Go 4 Ltd to:

- Reimburse Mr M for the pro rata difference in premium between his new policy and his policy with I Go 4 Ltd for the unused period of cover (£654.85).*
- Pay interest, at a rate of 8% simple, on the difference of £654.85 from the date Mr M paid his new premium to the date I Go 4 reimburses the difference*.*
- Pay Mr M £200 in compensation for distress and inconvenience (if they haven't already paid it).*

I Go 4 Ltd must pay the compensation within 28 days of the date on which we tell them Mr M accepts my final decision (if they haven't already paid it). If they pay later than this they must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

**If I Go 4 Ltd consider that they're required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mr M how much they've taken off. They should also give Mr M a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.*

Mr M responded to accept the conclusions in the provisional decision, as well as making several points. First, following advice from IG4 when he initially had problems charging his device, he purchased additional charging equipment (which didn't resolve the issue – it subsequently was identified as an issue with the device) at a cost of £10 - £12. However, Mr M wasn't seeking reimbursement of this cost.

Mr M also noted the fault with the device was acknowledged after he complained to IG4.

Mr M also confirmed IG4 had paid him the £200 compensation they'd awarded.

IG4 responded to make several points and seek clarification on others. First, they asked how the proposed refund to Mr M had been calculated. They noted Mr M took out a new policy, but it wasn't clear if this was the cheapest option at the time. They also asked whether Mr M had (when taking out his new policy) declared his previous policy with IG4 as having been cancelled. On the proposed payment of the pro rata difference between the cost of his new policy and the policy with IG4, they said Mr M could cancel his new policy at any time. If that were to happen, IG4 would have paid the difference in respect of a new policy that hadn't been used (for the full period it was taken out). Given this, IG4 thought it unfair to be asked to pay the difference in cost as it wasn't certain the policy for run for the full year. IG4 also asked for confirmation that the £200 compensation proposed in the provisional decision wasn't in addition to the £200 they'd awarded Mr m (and had provided).

IG4 also thought it unfair they were not being allowed to correct an issue and look to rectify it. They thought this meant that if an insurer made a mistake, a consumer could go elsewhere (to take out a new policy) and they (IG4) would have to pay the difference between the two policies (it being the consumer's choice to take out a new policy). That

being the case, IG4 would have been entitled to charge a cancellation fee and the telematics fee as the consumer (Mr M in this case) had decided not to continue the policy (with IG4) when (as they saw it) the issue had been resolved. They'd agreed to remove (the cancellation fee and telematics fee) as additional compensation to Mr M.

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.

My role here is to decide whether IG4 have acted fairly towards Mr M.

Taking Mr M's response first, I've noted the points he's made. I don't think they affect the substance of the findings and conclusions in my provisional decision, other than having already received the £200 compensation awarded by IG4 (which IG4 also confirmed they'd paid) there's no need to include this element in my final decision.

Taking IG4's response first, my provisional decision set out the basis for the calculation of what I thought was reasonable given Mr M's new policy was more expensive. On their point about whether Mr M had taken out the cheapest option for cover with his new insurer, that's not something that would fall within the scope of this complaint (nor is what he may have told his new insurer when taking out cover, as that's a matter for Mr M and his new insurer). My role is to decide whether IG4 have acted reasonably towards Mr M. My provisional decision set out the circumstances of what happened. From what I saw, Mr M thought his policy with IG4 would be cancelled. Given his circumstances, he needed to ensure his vehicle was covered so he could continue to travel to his medical appointments. While they extended the notice of cancellation and didn't cancel the policy, they didn't tell Mr M about this. As he wasn't aware (and thinking his policy was going to be cancelled) Mr M sought alternative cover. I think that was reasonable.

IG4 also say Mr M could cancel his new policy at any time. And if that were to happen, IG4 would have paid the difference in respect of a new policy that hadn't been used (for the full period it was taken out). IG4 think it unfair to be asked to pay the different in cost as it wasn't certain the policy for run for the full year. Again, I don't think this is relevant, as it's a hypothetical point about what may happen.

On the point about whether the £200 compensation for distress and inconvenience in the provisional decision is additional to the £200 already awarded by IG4 (and confirmed by both them and Mr M it has been paid) I can confirm that it isn't. As such, as I've noted above, as IG4 have paid the £200 then there's no need for this to be included in my final decision.

On IG4's point that it was unfair they were not being allowed to correct an issue and look to rectify it. I don't agree. As I've said earlier, Mr M thought IG4 were going to cancel his policy, so it was reasonable for him to take out cover elsewhere given his need for cover. And IG4 didn't tell him they'd extended the cover under their policy. So, in the specific circumstances of this case, I think it was reasonable for Mr M to seek cover elsewhere (and for IG4 to pay the pro rata additional cost of him doing so). So, I haven't changed my view on this point. On the point about IG4 not charging a cancellation fee or the telematics fee, I considered this as part of my provisional decision. I concluded it was reasonable in the specific circumstances of the case. And as I concluded it was reasonable for Mr M to take out cover elsewhere, then it wouldn't be reasonable for him to be charged a cancellation fee or telematics fee by IG4.

Taking all these points together, I'm not persuaded they change the conclusions set out in my provisional decision, other than to remove the requirement for IG4 to pay £200 for distress and inconvenience (as IG4 have already paid it).

My final decision

For the reasons set out above, my final decision is that I uphold Mr M's complaint. I require I Go 4 Ltd to:

- Reimburse Mr M for the pro rata difference in premium between his new policy and his policy with I Go 4 Ltd for the unused period of cover (£654.85).
- Pay interest, at a rate of 8% simple, on the difference of £654.85 from the date Mr M paid his new premium to the date I Go 4 reimburses the difference*.

*If I Go 4 Ltd consider that they're required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mr M how much they've taken off. They should also give Mr M a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 6 January 2023.

Paul King
Ombudsman