

The complaint

Mr K complains Advantage Insurance Company Limited, trading as Hastings Direct, wrote to him part of the way through his insurance policy year asking him to make a further payment.

What happened

In September 2021, Mr K made a claim on his motor insurance policy with Hastings Direct when he was hit by an uninsured driver. When Mr K renewed his policy in May 2022, Hastings were aware of this claim, and it was factored into the quotation provided.

In August 2022, Hastings contacted Mr K to say he needed to pay just under £70 more for his policy and this would be taken from his account several days later. It explained this is because the September 2021 claim was updated to a 'fault' claim as Hastings hadn't been able to recover the outlay from the third party.

Mr K says Hastings wanted the payment within 48 hours of him receiving the email. But he had to wait until payday to make the payment which was a worry and meant he had to spend time discussing this with Hastings to ensure it would wait for the payment. He said he can't see any term allowing Hastings to do this and so he'd like the money refunded to him as well as compensation for the distress caused. He feels if he'd gone to another insurer at renewal in May 2022, this wouldn't have happened.

Mr K complained to Hastings about this, but it didn't agree with him. So, he brought his complaint to this service.

Our Investigator looked into matters and thought it wasn't fair and reasonable for Hastings to increase the premium later when the policy was already in place. To put things right, the Investigator asked Hastings to refund the payment Mr K made, with interest, and £50 for the distress this caused due to Mr K not having the funds available at the time.

Hastings disagreed. It said it was recorded as a non-fault claim as they were expecting a full recovery. It says its policy terms are clear – changes to the policy may result in different terms or extra costs – and it was simply ensuring the details on the policy reflected the correct claim information. However, it noted it didn't charge a fee to update the information. Hastings communicated with the Investigator about these points, but the Investigator didn't change their view.

This matter has now been passed to me for a decision.

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 Investigator has reached a fair outcome here. So, Hastings needs to put things right. I'll explain why.

On renewal of Mr K's policy in May 2022, there was an 'open' claim which I would've expected to be recorded as a 'fault' claim pending the claim being settled.

I note Hastings may not have been ready to abandon its claim against the third party and says it expected to make a full recovery. However, it seems to me it was clear - as early as September 2021 - the claim was always likely to be recorded as a 'fault' claim. This is on the basis Hastings was unlikely to fully recover its outlay. I say this particularly noting, as early as September 2021, the claim notes refer to the '*uninsured driver promise*' and third-party vehicle being '*uninsured*'.

Had the claim been an 'open' fault claim, Mr K would've been charged the appropriate premium. This isn't what happened. By renewal time, Hastings recorded it as a non-fault claim. Then, when it decided to abandon recovery later in the policy year, sought to recover the increase in the premium mid-term from Mr K.

Given Hastings was fully aware of the claim and I've seen no evidence of any misrepresentations on Mr K's part, I can't see it'd be fair or reasonable for Hastings to later decide it wanted to apply a mid-term increase based on the realisation of a loss it was already likely aware of. Hastings should've factored in the claim – as an open fault claim - when setting the price for the annual contract on renewal in May 2022. It wouldn't be fair or reasonable to increase this some months down line once the policy was in place.

When a business makes a mistake, we expect it to restore the consumer's position, as far as it's able to do so. And we also consider the impact the mistake had on the consumer.

The Investigator asked Hastings to put matters right by refunding the additional premium requested from Mr K in August 2022, with 8% simple interest from the date he paid it to the date of settlement, and £50 for the distress caused in Mr K being asked for the same. I see no reason to interfere with this recommendation.

Mr K says this request put him under unnecessary stress and I consider the recommended redress appropriately recognises the impact this matter had on him.

Finally, I note Hastings refers to its terms and conditions which it says required this change to be made. The extract provided relates to those changes the customer is required to inform its insurer about and specific examples are given such as your home address, mileage and where you keep your car at night. So, I don't agree the term referred to by Hastings applies in this particular situation.

Putting things right

Advantage Insurance Company Limited should take the below steps to put things right.

1. Refund the additional premium requested from Mr K in August 2022
2. Add 8% simple interest on the refunded premium from the date Mr K paid it to the date of settlement.*
3. Pay £50 compensation to Mr K.

*If Advantage Insurance Company Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr K how much it's taken off. It should also give Mr K a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs, if appropriate.

My final decision

My final decision is I uphold this complaint and Advantage Insurance Company Limited and so it needs to take the steps outlined above to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 5 September 2023.

Rebecca Ellis
Ombudsman