

The complaint

Miss R has complained about the way her motor insurance broker, Brightside Insurance Services Limited ("Brightside"), dealt with her policy after it was avoided by her insurer.

What happened

Miss R took out a motor insurance policy through Brightside in August 2020 which renewed the following year.

In October 2021 she made a claim to her insurer and in February 2022 the insurer decided to avoid the policy (i.e., it treated it as if it never existed). Brightside then wrote to Miss R and said that there was an outstanding balance of £501.09 with regards to her policy which was payable within seven days. This was the price of cover, calculated by Brightside, which Miss R still owed, even though the insurer had avoided the policy, because of the claim. It later agreed for Miss R to pay this in instalments, so she paid an initial £100 in March 2022 and £80.23 each month thereafter.

In June 2022 Brightside wrote to Miss R to say that there was still £574.17 outstanding which she was required to pay within seven days. Nevertheless, it continued to collect monthly payments from her account.

In December 2022 Miss R complained to Brightside and said she had overpaid by about £240 and wanted a refund. She spoke to Brightside who said that the claim amount had to be readjusted due to there being an open claim on her policy, so the initial outstanding balance of £501.09 had increased. It said she had paid £741.74 overall and that there was still a £12.68 debt (making the total amount due £754.40) which Brightside offered to waive. It offered to return to Miss R the £240.65 she believed she had overpaid on the proviso that she would pay it back to Brightside by monthly instalments. Miss R didn't accept this offer.

Brightside considered Miss R's complaint and upheld it but didn't agree to the £240 refund Miss R had requested. It said that it wrote to her once it was made aware of the fact that there was an open claim on her policy which it says meant she was not due any of her premiums back. But it agreed that its letter of June 2022 was not clear and that it should have said that further payments would continue until the full balance was cleared. It again offered to remove the £12.68 debt and offered Miss R £50 for the distress and inconvenience it caused her.

Miss R wasn't happy with Brightside's response and complained to us. Our Investigator who reviewed the complaint thought it should be upheld. She said Brightside knew that there was an open claim on Miss R's policy as far back as February 2022 when the insurer decided to avoid the policy and that it should have calculated the amount due correctly at that point. Our Investigator felt that £240 was fair compensation for the distress and inconvenience Brightside caused Miss R. At the time, our Investigator was under the impression that the £12.68 debt had been waived so she asked Brightside to pay Miss R £177.32 or £227.32 depending on whether it had made the £50 payment to Miss R or not. Miss R later confirmed that the £12.68 had not been waived.

Brightside didn't agree and asked for an Ombudsman's decision. It said if Miss R were not to pay the additional £240 this would mean that she will have only paid part of her premium.

Before I issued my decision, I asked our Investigator to clarify to Brightside that I didn't think any cancellation fee should have been charged as the policy was avoided and not cancelled. Brightside said no cancellation fee was included in the £240; a fee was initially charged but credited back to Miss R's account.

I also said that I didn't think it was fair and reasonable that Brightside changed the amount owed part way through the settlement period. I said it was its error that the outstanding balance was miscalculated, and I thought it was unfair for it to tell Miss R in June that she still owed an amount that was higher than what she was told she originally owed. I said I didn't think Miss R would have been expecting to have to pay this additional amount and had probably only budgeted for the original sum. Miss R told Brightside she was in financial difficulty and I thought Brightside's actions also went against recent guidance from the regulator regarding consumers who are in that position.

Brightside responded but didn't agree to pay Miss R the £240 suggested by the Investigator and again asked for an Ombudsman's 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 have decided to uphold it. I should clarify that this decision is purely in relation to Brightside's actions as Miss R's broker. I won't be considering any of the actions of the insurer in this decision.

Brightside was told by the insurer in early February 2022 that the policy was being avoided with immediate effect. The insurer told Brightside that there was a claim on the policy which meant that the entire premium was due. Brightside responded acknowledging that there was an open claim.

Brightside then calculated the premium due and told Miss R that £501.09 was still outstanding. Brightside now says that it should have told Miss R that the outstanding balance was in fact £754.40. Miss R clearly relied on Brightside's statement that the balance was £501.09 and agreed to pay this amount in instalments. Miss R made an initial payment for £100 in March 2022 and then received an email saying that there was still £401.09 outstanding which would be spread over five months into payments of £80.22 per month.

Miss R was then sent a letter in June 2022 from Brightside saying that there was an outstanding balance of £574.17, due within seven days. I note that Miss R had made several payments up to that point and would have expected her balance to have decreased, likely almost settled, by June 2022 – but instead it seemed to increase. Brightside said it adjusted the amount due when it found out there was an open claim but, as pointed out by our Investigator, it was aware of this from the beginning – February 2022. So the miscalculation was made from the start – there was no new information in June as far as I can see. In the circumstances, I don't think it was fair and reasonable for Brightside to have sent this demand for further payment, and certainly not without any further explanation, especially as the letter said the payment was due within seven days which I imagine Miss R would have found distressing.

Brightside accepts that the June letter should have been clearer and that it should have explained that there had been a miscalculation. As I said above, I think Miss R would have

found the letter quite distressing and confusing particularly as it didn't say when her monthly payments would stop, why the amount was higher than the original amount etc. Nevertheless, I do note that Miss R didn't get in touch with Brightside about this at the time and did not raise a complaint until December. In any event in these circumstances, I think it was unfair for Brightside to collect the additional £240.65 from Miss R.

Furthermore, I think Brightside had a further opportunity to put things right but it didn't. And that was when it spoke to Miss R in December and she made it aware of the fact that she was in financial difficulty. I think at that point it would have been fair and reasonable for it to have waived any amount Miss R had paid which was over the original £501.09 she was told she owed.

In saying the above, I have taken into consideration recent guidance from the Financial Conduct Authority (FCA) which states that businesses should provide consumers who are in financial difficulty with appropriate support. I note that the policy wasn't cancelled due to Miss R being in financial difficulty, which is the situation in which the guidance refers. But I think Brightside could have done more ensure that it was acting within the spirit of the FCA's guidance particularly as the additional £240.65 Miss R was charged was relatively significant in proportion to the original balance – it was around half of what she was told she originally owed.

When Miss R complained to Brightside, she said she wanted a refund of £240. In the circumstances I think this is fair compensation for the distress and inconvenience Brightside caused her, for the reasons I referred to above.

My final decision

For the reasons above, I have decided to uphold this complaint. Brightside Insurance Services Limited must pay Miss R £240 for the distress and inconvenience it caused her. If it has already paid her the £50 compensation it had offered in its final response letter, then it must only pay Miss R £190 so that the overall compensation paid is £240.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 23 March 2023.

Anastasia Serdari
Ombudsman