

The complaint

Miss E complains Advantage Insurance Company Limited didn't treat her fairly in relation to her motor insurance premiums following a claim.

What happened

Miss E was in an accident in late 2019. That year her premium was about £485 a year. The claim remained open for some time. Prior to renewal in 2020 Miss E queried her increased premium - of about £845 a year - with Advantage, saying it was about twice what other insurers were quoting. Miss E says she was promised the premium would be revisited when the claim closed and she would get a partial refund. She didn't get a refund, which she doesn't think is fair.

Advantage says, in summary, it did agree to revisit the premium when the claim closed but didn't guarantee there would be a refund. And it said when the claim closed it "*...checked the premium [Miss E] paid, [Advantage] can confirm the closure of the claim has not impacted the premium and [Miss E] would have paid the same amount for the [2020] policy if the claim had been settled before the policy started*". Miss E didn't think this could be right as following the claim her premium almost doubled, and then later nearly halved. She asked our service for an independent review.

The investigator wanted to establish whether Advantage had correctly revisited the 2020 premium in line with what it said it would do and said it had done. He asked for this evidence in October 2022 and again in November 2022. In December 2022, having not received the evidence he asked for from Advantage, he issued his recommendation. He said Advantage should pay Miss E £250 compensation to resolve the complaint. This was because while he wasn't persuaded - based on the information available to him - Miss E had been charged the wrong premium, he thought she'd been given false hope about getting a refund.

Advantage didn't respond to the investigator's recommendation. Nor did it – and has not to date – provided the evidence he asked for. Miss E didn't agree with the recommendation either. In her view she's shown the increase in premium was because of the claim. And she said if Advantage had been clear about what would happen when her premium was revisited when the claim closed – in that she might not get a refund – she would have taken out cheaper insurance elsewhere. As an agreement between the parties couldn't be reached the complaint was passed to me to decide.

I issued a provisional decision. I said:

"I've listened to a recording of the call Miss E had with Advantage. Advantage said the open claim would impact Miss E's No Claims Discount ("NCD"), which would impact the premium quoted. It also said, broadly, Miss E would need to be careful what she told other insurers as part of applications. Miss E queried whether when the claim was closed as non-fault and the NCD reinstated, Advantage would revisit the premium. Advantage said it would, it couldn't guarantee the premium should be reduced, but it should be. Miss E decided to go ahead with Advantage's 2020 premium.

I don't consider Miss E was 'promised' she would get a refund, but I find she was led to believe that was what was most likely to happen. So I can see why Miss E was disappointed when she didn't get any refund when the claim closed. I'm not persuaded, however, Advantage leading Miss E to believe she was most likely to get a refund has meant she has lost out.

I say this because I think it's most likely, had she chosen to go with another insurer, the premium with that insurer also would have been higher than she thought it should be. I say this because my understanding from the call recording is that the quotes Miss E had received from other insurers weren't based on a complete/accurate representation of her situation – such as the position of the claim and her NCD. And I doubt Miss E would have taken out an insurance contract based on incomplete/inaccurate information, meaning she could have needed to generate new, likely higher, quotes. Instead, by sticking with Advantage, she might have paid a higher premium at the time, but there was scope for a refund later on – something which wouldn't have been a likely option with a new insurer.

Advantage said it would, and that it later did, revisit the 2020 premium when the claim closed, but it made no difference, so no refund was due. I consider this was a fair and reasonable action for Advantage to agree to do given Miss E's concerns. But I'm not persuaded the open claim and the impact on Miss E's NCD made no difference to the 2020 premium as Advantage has said. I say this because:

- Advantage hasn't shown – despite being asked to provide it repeatedly – that the claim/NCD didn't make a difference to the 2020 premium. Nor has Advantage explained why no refund is due.
- Miss E's premium with Advantage did increase significantly following the claim, and nothing else material changed as far as I'm aware;
- When Miss E enquired about the increase, it was said to be because of the claim/NCD and that when the claim closed it should decrease;
- In its letter dated 14 December 2021 Advantage said "Regarding your policy premium as your claim is still open there is nothing we can do about it increasing however, once the claim has been closed we can look into re-rating the policy premium however we don't know how much it will reduce by as this will be determined by the underwriters." This suggests it thought a refund would be due, but didn't know how much;
- The 2021 premium was based on one non-fault claim and an unaffected NCD – the same situation as would have been the case when revisiting the 2020 premium when the claim closed. The premium was about £475. Again, this suggests the 2020 premium would have been lower if not for the claim/NCD.

Given the points above, and in the absence of key evidence and compelling arguments from Advantage, I find it more likely than not Miss E would have been entitled to a refund on her 2020 premium when it was revisited when the claim closed.

As the premium was about £485 in 2019, and £475 in 2021, I think it's reasonable to conclude the 2020 premium would have been about the same, so I'll simply take the middle - £480. Her 2020 premium was about £845. £845 minus £480 is £365. I intend to require Advantage to pay Miss E this sum. Advantage should have provided a refund when it revisited the premium in March 2022, so it should pay simple interest at 8% a year on the £365 from 16 March 2022 to the date of settlement.

Part of Miss E's complaint is also about the customer service she received from

Advantage. She says she made a great deal of calls to chase up the claim and the refund, and was let down at times, such as when call backs weren't made or lines were disconnected.

Advantage accepted it could have communicated better and offered Miss E £40 compensation. I'm also aware Advantage paid Miss E £50 previously for communication related reasons. I consider, looking at things in the round, more compensation is appropriate here. I'm satisfied Miss E has been distressed and inconvenienced by the need to contact Advantage over an extended period of time and has been frustrated by the way this matter has been handled. I intend to require Advantage to pay Miss E a further £100 compensation."

Miss E accepted my provisional decision. Advantage didn't respond by the deadline I set.

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.

In the absence of any further evidence and arguments, I see no reason to depart from my provisional decision.

My final decision

I uphold this complaint and require Advantage Insurance Company Limited to pay Miss E:

- £365, plus simple interest* at 8% a year from 16 March 2022 to the date of settlement; and
- A further £100 compensation in recognition of the distress and inconvenience she was caused.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E to accept or reject my decision before 24 March 2023.

James Langford
Ombudsman