

The complaint

Mr G is unhappy with the advice he received about his taxi insurance policy from Extracover Limited trading as Zego (Zego).

What happened

Mr G had a private-hire taxi insurance policy purchased via Zego. The policy ran for 30 days and could be renewed when each period expired. In July 2022 Mr G contacted Zego and they advised he would have four years no-claims discount (NCD) in October 2022 (including the two years he came to Zego with, and two years since then). Mr G arranged insurance via another provider from then on.

However, Zego only provided three years NCD rather than four. They said their agent had given Mr G incorrect advice when calculating the amount, as they hadn't realised there had been a gap in cover. Mr G was unhappy Zego had given him incorrect advice as this meant he had missed out on a year's NCD, so he approached this service.

Our investigator looked into things, but she didn't uphold the complaint. She accepted Mr G had been given incorrect advice by Zego, but she said he hadn't earned four years NCD in line with the policy terms, as he hadn't had consecutive policies with Zego.

Mr G didn't agree and asked for a final decision from an ombudsman.

I reached a different outcome to our investigator, so I issued a provisional decision to give both parties an opportunity to comment on my initial findings before I reached my final decision.

What I provisionally decided – and why

In my provisional decision, I said:

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

I'm issuing a provisional decision. I've reached a different outcome to our investigator, so I'm issuing a provisional decision, to give both parties an opportunity to comment on my initial findings before I reach my final decision.

Zego say Mr G has had a gap in his insurance, and therefore he hasn't accrued two years NCD since he's been with them. They've referred to the policy terms which say:

"No Claims Discount

As soon as you have 12 months or more continuous claims free cover with us, you will start to earn a no claims discount ("NCD").

We will allow a NCD against your renewal premium if no claim has been made, or any accident likely to give rise to a claim has occurred, during the previous continuous 12-month period of insurance. The level of discount applied will be in line with our NCD scale, applicable at the time of renewal.”

Mr G took out an insurance policy with Zego on 28 July 2020. The policy term was for 30 days and could be renewed but ended on 26 August 2020. Mr G had a second 30-day period of cover from 2 October 2020 to 31 October 2020. However, that policy wasn't renewed either. So, these two policies don't form part of the continuous cover Mr G had via Zego.

Another 30-day policy was taken out on 19 November 2020, and this was renewed continually until October 2022. Having considered all the start and end dates of the policies, the continuous duration here was 23 months. So, Mr G only had one year and 11 months of continuous cover when the last policy ended. Therefore, Mr G only accrued one full year of NCD during this time. Consequently, I don't think Zego has acted unfairly by not providing two years NCD for this period.

However, Zego accepts that their agent gave Mr G incorrect advice. The agent told Mr G he would have four years NCD in October 2022 (he joined Zego with two years NCD already). However, the agent hadn't taken into account the gap prior to November 2020. So, Mr G wouldn't have actually had two years or 24 months continuous cover until the following month.

Mr G says that if Zego had told him the correct date, he would have renewed for another 30 days in order to accrue the extra year NCD, and I accept what Mr G has said here, as I'm persuaded that's what he would have done. But as a result of the incorrect advice from Zego, Mr G moved elsewhere a month earlier than when that additional year NCD would have been earned.

I recognise Zego has apologised for the incorrect advice Mr G was given. But I don't think this goes far enough to put things right for Mr G, as this doesn't take into account the actual impact of Zego's error.

I can't reasonably ask Zego to provide four years NCD (including the two years he came to Zego with). This is partly because Zego wasn't the insurer, but regardless, in any event, Mr G hadn't had 24 months continuous cover. So, he didn't actually accrue this and he left Zego with three years and 11 months. However, I'm persuaded Mr G solely didn't earn this extra year on the basis of the incorrect advice Zego gave.

Determining the exact impact of Zego's incorrect advice on Mr G isn't possible. This is because Mr G has one year less NCD than he would have if it wasn't for the incorrect advice from Zego. And this will impact him on each renewal for at least the short to medium term. But quantifying that impact financially isn't possible.

I say this because Mr G can shop around for his insurance renewal each time its due (his new insurance is a 12-month policy rather than 30 days). Each insurer will quote differently based on their own risk rating, and applying their own criteria of any discounts for the NCD Mr G has. And different insurers will treat maximum NCD at different levels, with differing levels of discount applicable. And in the future, there could be claims made, or changes of vehicles, all of which will impact the price Mr G pays, alongside having one year less NCD than he should due to the incorrect advice from Zego.

Mr G has explained that when he went to his new insurer, based on the incorrect advice from Zego, he told them he had four years NCD which resulted in the applicable discount. He then paid approximately an additional £150 to have the four years NCD protected. When Mr G then had to tell his insurer that Zego had only provided three years NCD (and the reasons for this), they reduced the NCD to three years and removed the protection as the earliest they could do this was with four years NCD, but they kept the price the same.

I think this gives a reasonable amount to base things on here for a potential cost impact in the short term. Essentially the base cost of the policy was £150 less for four years NCD than three. And it's likely this will impact Mr G for at least the next two years. I say this as some insurers consider five years as maximum NCD, and based on Zego's incorrect advice, it will now take Mr G two years to get to that point rather than one year if they hadn't given the incorrect advice. So I'm minded to conclude using this as an approximate difference to compensate Mr G for the next two years (a total of £300) is a fair and reasonable starting point for what Zego need to do to put things right in the short term.

As I say though, it may well impact Mr G beyond that point too. But quantifying how, or the amount, isn't possible given the variables that could happen. But I do need to take into account that Mr G may be at what some insurers deem maximum NCD in two years anyway, so it may not impact him with some insurers past that point.

However, this situation could have been completely avoided if Zego hadn't given the incorrect advice to Mr G at the outset. And it's clear this has impacted Mr G, but there is no way to quantify exactly how much in the future. So, unless anything changes as a result of the responses to my provisional decision, along with the £300 for the reasons I've outlined above, I'm also minded to direct Zego to pay an additional £200 compensation for what happened and the additional impact and inconvenience to Mr G, as I think that is a fair and reasonable additional amount in all the circumstances of the case."

Therefore, I was minded to uphold the complaint and to direct Zego to pay Mr G £500 compensation.

The responses to my provisional decision

Mr G responded and accepted my provisional decision.

Zego also responded and accepted my provisional 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.

And I've thought carefully about the provisional conclusions I reached. Having done so, and as neither party has provided anything which would lead me to depart from the provisional decision I reached, my final decision remains the same as my provisional decision, and for the same reasons.

My final decision

It's my final decision that I uphold this complaint and direct Extracover Limited trading as Zego to:

- Pay Mr G £500 compensation

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 13 April 2023.

Callum Milne
Ombudsman