

The complaint

Miss O says Skyfire Insurance Company Limited increased the price of her motor insurance policy unreasonably and provided poor service.

What happened

Miss O says she bought the policy as it was the cheapest available. Skyfire then noted a claim it thought she hadn't declared, so it increased the premium and charged a £50 admin fee. It also noted that she'd provided the wrong details of her no claims discount ('NCD'), of her mileage and of the date she got her driving licence. It said it didn't think she'd misled it deliberately, so it offered to continue with the policy. But Miss O said it was now unaffordable. She said she was unable to pay the cancellation charge, so Skyfire waived it. It also said it would waive the extra premium, in order to resolve the complaint.

One of our investigators told Miss O she thought Skyfire had acted reasonably in increasing the premium, and later in waiving the cancellation charge and the extra premium. She noted that as Miss O had given it the wrong date for the claim, Skyfire thought she'd made two claims. The premium didn't reduce when the first claim (on the wrong date) was deleted, because Skyfire hadn't charged for it when Miss O bought the policy. But the correct date for that one claim was within the previous three years, and claims made in that period are rated.

Miss O said she should only have to pay £100 in total for cover, so she wanted a refund of any sum she'd paid over that amount. She said the increased premium had meant she couldn't pay other bills, which had led to her bankruptcy.

As there was no agreement, the complaint was passed to me for review. I issued a provisional decision upholding Miss O's complaint in part, as summarised below:

- I thought it was reasonable for Skyfire to increase the premium when it established the true facts. Although Miss O didn't think the changed date of the one incident on her record should make a difference, I thought Skyfire had explained why it did. I noted that Miss O felt that she'd been treated like a criminal, which I thought was due to the fact that Skyfire's fraud team investigated the matter. But she wasn't accused of fraud, and I thought Skyfire was entitled to decide how to run its investigations
- I didn't think it was reasonable for Miss O to ask to be charged only £100 for the cover she'd had, as that sum wouldn't have covered the insurance provided at the original premium. But I thought the reason Miss O believed she was charged far too much was because of the lack of clarity around the issue. We asked Skyfire for clarification. It provided a partial response, some of which suggested that the premium increase may have been based on Miss O having made two claims. And I noted that it had told Miss O her premium would increase by around £179, but shortly afterwards it said the increase would be around £363. So I could see why Miss O was so confused and shocked by the sums Skyfire had quoted.
- The increased premium charge was to be spread over Miss O's remaining direct debits. As far as I could see, she paid around £47 extra in September 2021 and

again in October 2021. Skyfire said it would remove the extra premium, but Miss O said she didn't get a refund of the extra sums she'd paid. We asked Skyfire to explain how it arrived at the extra premium sum *and* to clarify why Miss O didn't get a refund. I said that (based on the details we had at the time) it seemed she was due a refund.

- I thought Skyfire had provided poor service to Miss O, causing her unnecessary upset and inconvenience. I said that included not using a code she provided to access her DVLA record, telling her in error that she was in arrears with payments and asking her to pay the increased premium in a lump sum - when it was already being taken monthly. And Skyfire told Miss O she'd be getting a large refund, but she got none at all. I thought Miss O was more affected and upset by all this than she may otherwise have been, given her precarious financial position.
- I said I thought Skyfire acted reasonably in paying Miss O compensation for distress and inconvenience when it realised its service was poor. She confirmed that it had paid her £50 in October 2021 and a further £50 in December 2021. I thought it should pay her another £50 for distress and inconvenience, as well as refunding the extra sums she'd paid in September 2021 and October 2021 – and that it should also explain how it arrived at the increased premium and why it didn't provide a refund.

Miss O didn't comment on my provisional findings. Skyfire said the only charge applied to her direct debits was a £50 admin charge, which was later reimbursed, and repeated that the entire premium was waived. It said that resulted in a reduction to the cancellation costs. Skyfire said it would not have issued a refund "...as it wasn't paid for".

I didn't think Skyfire's response addressed the queries about the sum arrived at for the increase in premium, or why Miss O didn't get a refund of the extra sums she'd paid. And I couldn't see how it could be accurate that only a £50 charge was added to her premiums, when she'd provided bank statements showing that she'd paid around £47 extra on her direct debits, twice. I didn't think it was clear what Skyfire meant by saying that it wouldn't have provided a refund 'as it wasn't paid for', especially when it had promised a refund.

We asked Skyfire yet again to explain why it had said the increase in premium would be around £179, but the sum was then increased to around £363. We also asked again why Miss O didn't get a refund if the extra premium was waived, and she'd already paid two increased direct debits. In its response, Skyfire agreed that Miss O had paid extra for two months, but it also said *the sum was refunded*. Later in the same response, it said she *wasn't entitled to a refund* on the two increased instalments, as the finance agreement is charged in arrears each month. It also said it had paid her £150 compensation for its errors.

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.

Before the provisional decision was issued, we asked Skyfire several times for clarification of the increase of around £179 being changed to around £363. We also asked about the note on the file that suggested the increase in the premium might be based on *two* claims being recorded against Miss O, in error. Skyfire didn't respond to these specific queries then, and it still hasn't done so. The size of the increases caused Miss O great alarm, and I think the least she could have expected from Skyfire was a clear explanation. These points remain unresolved, despite our attempts to get clarification. Although that isn't satisfactory, as the extra premium (or most of it) was waived, there's no point in continuing to pursue the matter.

In my opinion, the issue of the refund due to Miss O still isn't clear either. She has shown the

extra charges she paid in September 2021 and October 2021 on bank statements. And she insists that these sums were never refunded. In the absence of any evidence from Skyfire to the contrary, I think it's reasonable to accept Miss O's account. At one point in its recent response, Skyfire said she wasn't entitled to a refund. But based on the limited information it has provided, I can't see why not. In my opinion, it isn't clear how finance being charged in arrears affects the sums Miss O was charged for insurance. As I don't think Skyfire has explained why Miss O isn't entitled to a refund, I think it would be fair and reasonable for it to refund the extra sums she paid for cover in 2021, plus interest.

I don't think Skyfire has shown that it paid Miss O £150 compensation. If it did, it should have been able to provide evidence of that. She says she got two compensation payments of £50 (although I think there was also a £50 admin charge refund). As there's no reason not to accept Miss O's account on this issue, I think it would be fair and reasonable for Skyfire to pay her a further £50 for the distress and inconvenience caused to her by its poor service.

My final decision

My final decision is that I uphold this complaint. I require Skyfire Insurance Company Limited to pay Miss O a further £50 for distress and inconvenience. I also require it to refund the extra sums she paid for cover in September 2021 and October 2021. It should pay interest on those sums, at the simple yearly rate of 8%, from the date of each payment to the date of settlement.

If Skyfire thinks it's required by HM Revenue and Customs to withhold income tax from the interest, it should tell Miss O how much it has taken off. It should also provide a tax deduction certificate if required, so she can reclaim the tax if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 22 August 2023.

Susan Ewins

Ombudsman