

The complaint

Mr N has complained about the fact that Extra Cover Limited trading as Zego sold him a commercial motor policy with a three year protected no claims discount (NCD) and then wouldn't honour this.

What happened

Mr N had a rolling 30 day policy covering his vehicle for private hire through Zego. It is not entirely clear when from the evidence provided by Zego, but at some point in 2022 Mr N took out a new policy which covered his vehicle for social, domestic and pleasure use, plus use for hire or reward. When he did this Zego sold him a policy with a three year protected NCD. Mr N then seems to have cancelled the policy in October 2022 and asked Zego to send him proof of his NCD. Zego told him they would send this, but when Mr N chased it up he was told that they couldn't send it as he had a claim outstanding against him from October 2021. Mr N complained about this. Zego issued a final response to Mr N in which they explained they'd made an error and should not have sold a policy to him with a three year protected NCD. And they apologised. They also explained they couldn't provide him with proof of NCD whilst his claim was outstanding. However, it seems they did eventually provide him with proof of one year's NCD.

Mr N asked us to consider his complaint. We asked Zego to provide their file of papers and for their comments on the complaint. When they did so they acknowledged again that they'd made an error and said they were willing to offer Mr N £75 in compensation for distress and inconvenience.

One of our investigators issued her view on Mr N's complaint in July 2023. She agreed that Zego had made an error and should not have sold Mr N a policy with a three year protected NCD. She explained that she didn't consider it appropriate to ask Zego to provide proof of a three year NCD as Mr N was never entitled to this. However, she did recommend Zego pay Mr N £150 in compensation for distress and inconvenience and refund what he'd paid for the NCD protection, plus interest.

Zego accepted the investigator's view. Mr N didn't accept it and doesn't think the compensation payable is appropriate or clear. He's also mentioned he lost earnings as a result of Zego's refusal to provide him with proof of what he considers to be the right NCD.

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've reached the same conclusions as our investigator for the same reasons.

It's clear Zego shouldn't have sold Mr N a policy with a protected three year NCD, because he hadn't earned three years NCD at this point. And Zego could only offer NCD protection to customers with a three year NCD. However, I do not think it would be appropriate for me to

make Zego provide proof of three years NCD, as this would put Mr N in a better position than he should be in. I say this because at the point he cancelled his policy with Zego Mr N should have had two years NCD, stepped back to one year because of the claim against him in October 2021. If and when this claim is closed as non-fault, Mr N will then be entitled to proof of two years NCD. If Mr N is unhappy about how long it is taking for the claim to be resolved, he can complain separately about this to his insurer and – ultimately – to us.

It's clear the error by Zego caused a great deal of confusion and frustration for Mr N, as it seems he thought he could buy another policy with three years NCD when this wasn't the case. However, this should never have been possible, so I don't think he's actually lost out financially because of Zego's error, other than because he paid for NCD protection when he shouldn't have done. In view of this, I agree with our investigator that Zego should refund the extra Mr N paid for this, which seems to have been £8.68, plus interest.

I also agree with our investigator that Zego should pay Mr N £150 in compensation for the distress and inconvenience he experienced as a result of their error.

Putting things right

For the reasons set out above, I've decided to uphold Mr N's complaint and make Zego do the following:

- Refund the extra Mr N paid to protect the NCD on his policy, plus interest at 8% per annum simple from the date he made the payment to the date they refund it¹.
- Pay Mr N £150 in compensation for distress and inconvenience.

My final decision

I uphold Mr N's complaint about Extracover Limited trading as Zego and order them to do what I've set out above in the 'Putting things right' section.

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

Robert Short
Ombudsman

¹ Extracover Limited must tell Mr N if they have made a deduction for income tax from the interest they pay. And, if they have, how much they've taken off. They must also provide a tax deduction certificate for Mr N if asked to do so. This will allow Mr N to reclaim the tax from His Majesty's Revenue & Customs (HMRC) if appropriate.