

The complaint

Mrs P complains about Hastings Insurance Services Limited's handling of a change to her car insurance policy.

What happened

The background to this complaint is well known to both parties, so I'll provide only a brief summary here.

Mrs P has car insurance administered by Hastings. In May 2023, she contacted them to ask how much it would cost to add a new vehicle to the policy. Her previous car had been written off and she was in the process of buying a new one.

Hastings told Mrs P that the additional cost for the vehicle she had in mind would be £1.70.

Mrs P went ahead and purchased the car. When she called Hastings to arrange the changes to her policy, she was told the increase in her premium would actually be £688.07.

Mrs P paid the increased premium using a debit card, given that she needed to insure the new car in order to drive it home from the car showroom.

However, she then made a complaint to Hastings. She says she wouldn't have bought the car in question had she known the insurance costs. She says she asked the seller to take the car back, but they offered her a very reduced price to do so.

Hastings admitted their error in quoting Mrs P the wrong premium increase when she called them before purchasing the car.

They offered her a refund of £27.38, based – in their own words - on the fact that she was in her renewal period. And they also offered £200 in compensation for Mrs P's trouble and upset.

Mrs P wasn't happy with this outcome and brought her complaint to us. She wants Hastings to refund her the higher premium they charged after adding her new car to the policy. She says paying the higher premium has caused financial difficulty and stress.

Our investigator looked into it and upheld Mrs P's complaint. They thought Mrs P had made a decision to purchase the car based on the erroneous information given by Hastings. And they said Hastings should refund all of the additional premium charged - £688.07 - less the £1.70 they'd told Mrs P the change in car would cost her.

They thought Hastings could reasonably offset the £27.38 refund they'd already paid against that amount. But they should pay interest at 8% simple on the amount refunded, calculated from the date Mrs P had paid the premium increase.

And they said Hastings should also pay the £200 compensation they'd previously offered for Mrs P's trouble and upset.

Hastings disagreed and asked for a final decision from an ombudsman.

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.

There's no dispute at all here about the facts. Hastings have admitted they told Mrs P when she rang before buying the car that the increase in premium would be £1.70. And they then charged her £688.07 – and later refunded £27.38 of that.

Our investigator thought Hastings should – in effect – give Mrs P the policy at the increase in price they originally quoted - £1.70 – for the policy year.

After that, they were entitled to make an offer at renewal for any future years according to their usual means of calculating premiums. Essentially because the quote offered in error had been a quote for the current policy year – and shouldn't be seen as a commitment to anything thereafter.

The reason our investigator gave for asking Hastings to refund the additional premium increase for the current year was that Mrs P likely only bought the car based on the insurance quote she'd been given.

I agree with our investigator that Mrs P was clearly concerned about the cost of her insurance. She'd checked the premium increases for a number of other cars she'd been thinking of purchasing just before she bought her current car. And she rang Hastings with the sole purpose of checking what the increase would be for the car she actually then purchased.

Hastings say Mrs P should pay the correct premium for her current car. They say it's clear she could afford the increased premium because she paid for it on the day in question using a debit card.

And her earlier checks on other cars showed that she definitely intended to purchase a car - and it was always going to be in the same price bracket. They imply that would have meant a similar premium increase.

On balance, I'm not persuaded by those arguments. Mrs P clearly paid the additional premium on the day under some duress. She'd bought the car but couldn't drive it home without insurance.

The fact that she was able to pay on a debit card can't be taken as proof that the price was affordable and/or wouldn't cause financial difficulty.

That would depend on all kinds of factors such as when other payments were made into and out of the account each month. Mrs P tells us she had to borrow money from a relative to cover routine living costs later in the month.

And whilst Mrs P may have been looking for a car in around the same price bracket, she was evidently and quite clearly concerned about the effect on the premium that buying each car would have. Additional premium costs may have varied quite considerably within that price bracket and for different models, ages and mileages, for example.

So, I'm satisfied on balance that Mrs P made a decision – to buy the car – based on what she'd been told in error by Hastings. And that she likely wouldn't have purchased the car had she known the true increase in her insurance premiums.

I'm aware that Hastings told Mrs P that they'd allow her to cancel her policy if she wasn't happy with the increased premiums. She could have done that anyway – although I assume they meant she could cancel without cancellation fees etc.

More importantly, I don't think that would have solved Mrs P's problem. Her difficulty was that she owned a car which attracted higher premiums than she'd expected. And that difficulty arose because of Hastings' error in mis-advising her during the phone call.

Putting things right

Again, I agree with our investigator about what Hastings need to do to put things right for Mrs P.

Having determined that she likely wouldn't have bought her current car had she known the impact on her premiums, it follows that Hastings should be obliged – for the current policy year only – to give her the policy on the terms they quoted when she rang them before she purchased the vehicle.

Hastings charged Mrs P an increase of £688.07, having said it would cost £1.70. The difference is £686.37. Hastings have refunded £27.38 already. So, they should now refund £658.99 to Mrs P.

I'm aware that Hastings are the administrator for the policy and not the underwriter. This was their error however, and I'll leave it to Hastings to determine whether they wish to seek from the underwriter some or all of the refund I'm now requiring them to pay to Mrs P.

Mrs P has in effect been deprived of that money between the date she paid her additional premium up to the date Hastings refund it. So, Hastings should pay interest on that amount at 8% simple.

Mrs P has suffered a degree of frustration, stress and inconvenience as a result of Hastings' error. I agree with both Hastings and our investigator that £200 is fair and reasonable compensation for Mrs P's trouble and upset.

My final decision

For the reasons set out above, I uphold Mrs P's complaint.

Hastings Insurance Services Limited must:

- pay Mrs P £658.99 as a refund of the increased premium she paid;
- add interest to that amount at 8% simple, calculated from the date Mrs P paid them to the date they provide the refund; and
- pay Mrs P £200 in compensation for her trouble and upset.

If Hastings Insurance Services Limited considers that they're required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mrs P how much they've taken off. They should also give Mrs P a tax deduction certificate if she asks/ask 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 Mrs P to accept or reject my decision before 8 December 2023.

Neil Marshall
Ombudsman