

The complaint

Mr J complains Advantage Insurance Company Limited (“Advantage”) incorrectly increased his premium on his motor insurance policy and threatened to cancel it following a wrongful claim by a third party. He says this caused him upset and inconvenience.

Any reference to Advantage includes its agents.

What happened

Mr J renewed his comprehensive motor insurance policy with Advantage in December 2022 for around £270 for the year. In February 2023, Advantage said it had been informed his car was involved in an incident around 12 months previously – in March 2022. Mr J said his car wasn’t involved and provided evidence to support this.

As the alleged incident happened the previous insurance year, Advantage increased Mr J’s premium by around £200 to reflect how much more it would’ve cost at renewal if it was aware of the incident. Advantage has said it put a hold on the payment of this until 6 April 2023 so it had time to investigate the claim before Mr J needed to pay.

On 13 April 2023, Mr J says Advantage wrote to him to explain his identity had been mistaken and it was satisfied he wasn’t involved in the incident. It said the claim would be deleted. But around 24 April 2023, Mr J says he received further correspondence demanding payment of the premium increase otherwise his policy would be cancelled.

As Mr J was worried, he says he called Advantage to confirm the extra charge should’ve been removed. He says it was explained to him over the phone, the policy wouldn’t be cancelled. Mr J’s told us he received another threat his policy would be cancelled the following day so he called again. Neither party has given us a copy of this correspondence.

On 3 May 2023, Advantage wrote to Mr J to confirm the claim was closed and the £200 charge had been removed. But Mr J was unhappy that Advantage had increased his premium before investigating what had happened and chased him for payment even after it identified he wasn’t involved in the incident. So he made a complaint.

As Advantage didn’t uphold Mr J’s complaint, he asked our service to look into it. Our Investigator upheld the complaint and directed Advantage to pay Mr J £100 to make up for the distress and inconvenience he’d been put through. Mr J accepted our Investigator’s opinion but Advantage didn’t as it thought it had followed the correct process and treated him fairly. So the complaint’s been passed to me to decide.

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.

I’ve decided to uphold this complaint, I’ll explain why.

Advantage has said after it was notified of an incident involving Mr J's car, it correctly increased his premium while it investigated the claim. And, to prevent him being sent chasers to pay the fee, it applied a temporary hold on the payment which I accept was fair in this case. But overall, I don't think the service provided by Advantage was what I'd expect and it hasn't done enough to put that right.

Mr J says Advantage wrote to him on 13 April 2023 accepting his vehicle hadn't been involved in the incident. And I can see the internal notes support this. So I'm satisfied by 13 April 2023, at the latest, Advantage had enough information to remove the claim and the outstanding balance from Mr J's policy. But, as Mr J received a letter around 11 days later explaining his policy would be cancelled if he didn't pay, I don't think it did. And I can see Advantage told our Investigator it only removed the premium increase on 25 April 2023, which was after Mr J had called it the second time.

I'm satisfied receiving this letter and being threatened with the cancellation of the policy would've been very worrying for Mr J – and I don't think he should've needed to call Advantage to get the outstanding amount removed. I haven't seen any evidence he was warned he might receive a letter like this once the hold was removed, or given any guidance it could be ignored. So I think receiving the letter would've been a shock for him.

Advantage has argued that Mr J would've received many more letters throughout the time it was investigating the claim if it hadn't put a hold on the payment as a goodwill gesture. And whilst that might be the case, I don't think it makes up for the unnecessary worry he would've experienced receiving the letter later – or the inconvenience of needing to call Advantage to find out what had happened. So that doesn't change the outcome in this case.

To put things right in this case, I direct Advantage to pay Mr J £100 in compensation to make up for the distress and inconvenience he's been put through. I know Mr J's also said he sent some complaint letters by recorded delivery so he's lost out financially due to that. But I think the compensation I've suggested is enough to make up for this too.

My final decision

For the reasons I've given, I uphold Mr J's complaint and direct Advantage Insurance Company Limited to put things right by paying him £100 in compensation. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 13 December 2023.

Nadya Neve
Ombudsman