

The complaint

Ms T complains that Covea Insurance plc treated her unfairly when her car insurance policy was approaching the end of its term.

What happened

Ms T had car insurance with Covea, however, when it was approaching the end of its term, in early 2023, Covea took the decision not to offer renewal. However, Covea acknowledge a system error led to Ms T not being informed of this until after the policy had lapsed.

This meant Ms T wasn't covered for a few days as she had assumed cover would have renewed as it had in the past. Ms T then had to find cover at short notice, and because of that, she feels it was far more expensive than it would have been otherwise.

Covea accepted this and offered compensation of £50, later increased to £100. Ms T didn't think that was enough because her insurance was now costing approximately £250 more, and she believed that was down to her having to arrange cover at very short notice.

An investigator here looked into the matter and felt the £100 was reasonable in terms of distress and inconvenience caused, but he recommended Covea pay Ms T an additional £250 to account for the increased premium.

Covea didn't agree, referring to premiums being on the increase in general, but they did offer a further £125. This was put to Ms T but she didn't think that was enough, so the case was 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.

It's clear to me that Covea accept an error was made and that it will have had an impact on Ms T's premiums. It's reasonably well known that premiums can be significantly more if you're purchasing cover at very short notice. And that's part of the reason Covea offered to pay compensation.

I agree with the investigator though, that Covea's offer was insufficient. It is very difficult to know how much Ms T would have been able to obtain cover for if she'd been given fair notice that her policy wasn't being renewed. But all parties accept that it would've been cheaper.

Covea were given the opportunity to provide further information and they would likely know more about the difference, in percentage terms, of renewing in advance and taking cover to begin almost straight away. I acknowledge that Covea offered a slight grace period to allow Ms T to find cover, but that was only a few days.

Ms T has shown that her replacement cover was actually around £290 more than it had been with Covea for the previous year. In view of this, I don't think it's unreasonable to say at

least the majority of this amount was likely to be down to her not being able to arrange cover well in advance of it starting.

I can't know exactly how much of a difference that caused but I am aware it can be significant, and a well-known price comparison website says their customers saved over 44% on average by arranging cover 27 days in advance of it starting – when compared with buying it on the day. And this was based on data relating to the same period as that which applied to Ms T's case.

In view of that, and in view of Ms T's replacement cover coming out at a difference well below that average, it is reasonable to say £250 would be a fair amount to take account of the increase she experienced. It's difficult to be precise with these things, because of all the factors involved in premium calculation and the 44% is an average rather than specific to the car Ms T owned and her individual circumstances. So, a comparison based more closely to her previous cover and replacement cover cost is a fairer way of assessing things.

Putting things right

Overall, I consider £250 compensation for the increase in premiums is fair and the £100 is fair in relation to distress and inconvenience caused by, first of all, Ms T finding out she'd been uninsured for a period of time and second of all having to arrange cover at very short notice.

I note the investigator also awarded 8% interest on the £250 for the period Ms T would have been without that money. I too consider that to be reasonable in the circumstances.

My final decision

It is my final decision that I uphold this complaint. I require Covea Insurance plc to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms T to accept or reject my decision before 21 June 2024.

Will Weston
Ombudsman