

The complaint

Mr J complained that his broker's mistake, by incorrectly insuring his quadbike, has led to him being out of pocket. The broker was Adrian Flux Insurance Services Group (AFISG).

What happened

Mr J used AFISG to arrange his insurance for his quadbike. After insuring his bike, it broke down. To fix the bike the engine needed replacing and the garage offered Mr J an upgrade by moving to a larger engine.

Understanding how insurance works, Mr J contacted his broker to check whether the upgraded bike would still be covered by his policy. AFISG informed Mr J it could still arrange cover for his upgraded bike, however, it asked for a higher premium given it thought the larger engine posed a greater risk to them.

Following this advice, Mr J opted for the larger engine (at a cost to him of circa £2,600) and paid AFISG the additional premium. Shortly afterwards, AFISG realised it had made a mistake as Mr J's insurer didn't accept the additional risk of the larger engine so it wouldn't offer cover. AFISG couldn't find alternative cover even though Mr J offered to significantly increase the excess on the policy.

Because of its mistake, after giving notice AFISG cancelled the policy. It apologised and as a gesture of goodwill it refunded the additional premium Mr J had paid.

Mr J is unhappy he said to convert his bike back to the smaller engine size would cost circa £2,500 and due to the limited insurance market for quadbikes he didn't think he would be able to get insurance elsewhere. However, after making his complaint, he did eventually find insurance for the quadbike with a different provider, but at a higher cost. However, the policy wasn't like for like as Mr J was also able to add up to five cars to his policy also.

Our investigator decided to uphold the complaint. Once AFISG had made the mistake, our investigator thought it had taken reasonable actions. He did think AFISG had failed to meet the expectations of providing a policy, so he asked AFISG to pay £200 compensation for the distress and inconvenience this caused. Mr J disagreed, so the case has been referred to an ombudsman.

My provisional decision

I made a provisional decision on this on 1 March 2024. I said:

"As the complaint is set up against the broker, I haven't and can't consider any actions taken by the insurer in my decision. I've only considered whether AFISG actions as broker were fair and reasonable in arranging and administering the policy.

AFISG has accepted it made the mistake and it refunded the additional premium Mr J had paid for the larger engine. I think this is the minimum I would've expected AFISG to do, but I will consider further whether I think this is sufficient and whether this puts him back in the position he would've been in had the mistake have not been made.

I believe Mr J wanted the larger engine on his bike when his previous one failed. If he didn't, I see no reason why Mr J wouldn't have replaced it like for like. Mr J also confirmed that he prefers the larger engine on his bike. Mr J was content paying a higher premium for this benefit. Therefore, I can't see a justification for AFISG contributing to the cost of the new engine. I think on balance, provided Mr J could get insurance, he would've made this decision to upgrade his bike anyway.

Once the mistake was identified, AFISG followed the process I would've expected. It searched the market for alternative cover, and it cancelled the policy by giving notice as it didn't have any other choice as the insurer wouldn't cover the bike. It has told Mr J the way the cancellation has been recorded on his records it won't impact his future insurance premiums.

I've thought what I would've expected AFISG to do if Mr J hadn't gone on to find alternate cover. I think if this scenario had played out, then I'd have expected AFISG to either provide cover themselves in some way to replicate the policy Mr J thought he'd taken out. Or, if that wasn't possible, I'd expected them to pay for the cost of installing the smaller engine so that the bike could be insured (and any increment Mr J paid in having the larger engine installed compared to a smaller one). However, I would've expected AFISG to offer compensation for its mistake, which it hasn't. Therefore, I intend to uphold this complaint.

Fortunately for AFISG, after shopping around extensively Mr J managed to arrange his own cover with a different insurer. His new policy cost circa £3,900 but also allows Mr J to insure his three cars for that cost, with room to add two more if required. It's not possible for me to conclude whether Mr J has been penalised financially for this new insurance product as it's not on a like for like basis with his old policy. It's quite different. If Mr J was impacted financially, I would've expected him to raise this point specifically and provide the evidence to justify this. As he hasn't, I won't consider this point further.

I don't think Mr J has been financially impacted by these circumstances for the reasons I've set out. However, I don't think AFISG has provided the service Mr J would've expected when he appointed them to arrange his policy. The mistake was basic and fundamental to the service it provided. Whilst AFISG has repaid the additional premiums Mr J paid, an element of the premium Mr J paid originally would've included an administrative fee for AFISG brokering the contract and dealing with administrative issues during the term. As AFISG has done this poorly, I think it should reimburse these costs.

Additionally, the whole set of circumstances were distressing for Mr J. He went through a thoughtful process to validate the decisions he was making which provides a glimpse to the kind of thorough person he is. So, when the circumstances unravelled, I think this would've been quite discombobulating for Mr J. Then he has had the added inconvenience of having to search quite extensively to find cover which has included changing the cover he has on his other vehicles. So, for the reimbursement of administrative costs and for the distress and inconvenience caused, I intend to award Mr J £300 compensation".

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.

AFISG accepted my provisional decision, and it didn't have anything further to add.

Mr J didn't respond to my provisional decision.

My final decision

My final decision is that I uphold this complaint. I require Adrian Flux Insurance Services Group, pay Mr J:

- £300 compensation – for distress and inconvenience, which includes an allowance for the reimbursement of administration costs.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 1 May 2024.

Pete Averill
Ombudsman