

## The complaint

Mr B complains that Extracover Limited (trading as Zego) mishandled a motor insurance policy.

## What happened

Mr B had a vehicle insured on a private motor insurance policy with an insurer other than Zego. Like most private motor policies, it didn't cover him for hot food delivery work.

In mid-June 2019, Mr B took out Zego flexible courier hire and reward insurance. It operated in addition to the private policy as a top-up to cover him while he was delivering for certain delivery companies. Zego charged an hourly premium while he was making such deliveries.

On about 24 September 2021, Mr B was involved in an incident that resulted in a claim on his private motor insurance policy.

Mr B's private motor insurer dealt with that claim. It closed the claim on about 4 July 2023.

In late July 2023, Mr B contacted Zego. It said the claim affected his premium. Mr B complained to Zego that it hadn't correctly recorded the claim.

Zego reduced Mr B's premium from £2.30 to £1.75 per hour.

By a final response dated 25 August 2023, Zego turned down Mr B's complaint.

In December 2023, Mr B complained to Zego that the premium had increased to £2.53 per hour as Zego had incorrectly recorded the September 2021 claim.

By a final response dated 13 December 2023, Zego said that Mr B had complained about not being able to re-activate his account. It upheld his complaint and offered to look into a claim for earnings lost on 12 December 2023.

Mr B brought his complaint about the premium to us in mid-December 2023. Mr B complained that Zego should return his premium to £1.75 per hour and reimburse the extra he'd paid.

### *our investigator's opinion*

Our investigator recommended that the complaint should be upheld. He didn't think that Zego had a valid reason for increasing Mr B's premium. He recommended that Zego should:

1. return Mr B's premium to £1.75 per hour; and
2. refund the extra premium he had paid for the period his premium had been increased to £2.53 per hour; and
3. pay £50.00 for the inconvenience caused to Mr B.

### *my provisional decision*

After considering all the evidence, I issued a provisional decision on this complaint to Mr B and to Zego on 27 June 2024. I summarise my findings:

I didn't consider that it would be fair and reasonable to direct Zego to go back to the premium of £1.75.

Nevertheless, I wasn't satisfied that Zego did enough to manage Mr B's expectations in July 2023 or to communicate to Mr B an explanation of its position since December 2023.

Subject to any further information either from Mr B or from Zego, my provisional decision was that I upheld this complaint in part. I intended to direct Extracover Limited (trading as Zego) to pay Mr B £150.00 for distress and inconvenience.

Zego agreed with the provisional decision.

Mr B disagreed with the provisional decision in part. He says, in summary, that:

- He ran a quotation on 26 July 2022. He was transparent.
- Zego's recording of a call on 3 August 2022 shows that based on the quotation, he made his purchase. Zego did not ask clear questions including about claims and assumed "all up to date".
- In late July 2023, Zego resolved his complaint by reducing the premium based on a full "update" on the incident.
- Nearly 4 months down the line the incident caused an increase. This is not probable cause to increase his premium in December 2023 based on this same incident
- Zego's recording of a call on 18 December 2023 shows that it had incorrectly recoded the 2021 claim as 2023 and had to change it back. But they refused to budge on his hourly premium. The call handler started to find it funny, questioned his requests and hung up.
- Zego's recording of a call on 1 July 2024 was his initial request of data from Zego.

### **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.

#### Response to the provisional decision

I would expect insurers to ask about claims within the last few years and to set premiums at a higher level for policyholders with claims than for policyholders with no claims.

When Mr B took out the Zego policy in 2019, he said he hadn't had any claims in the previous few years. I have no reason to doubt that this was correct.

From what his private motor insurer has said, Mr B was involved in an incident in September 2021 that resulted in a claim. I don't think Mr B told Zego about that at the time. However, the private insurer recorded the claim on the Claims Underwriting Exchange ("CUE") database.

In late July 2022, Mr B contacted Zego about a change of vehicle. I've listened to the call recording. I find that he did disclose the 2021 claim as a fault claim. Zego quoted Mr B an hourly premium of £2.30.

In early August 2022, Mr B rang to accept the quotation. I wouldn't expect Zego to go through all the information again. I've listened to the call recording. Zego asked if all other details (apart from the change of vehicle) were correct and up to date and Mr B said they were.

By early July 2023, the private insurer had "closed" the claim. That means that it had resolved all issues including payment. Closing the claim didn't mean that the incident and the claim hadn't happened.

I've seen that after Mr B got in touch with Zego in July 2023, it reduced his hourly premium to £1.75. And I accept that it said that the account was up to date.

So I can understand why Mr B thought Zego had made a mistake when it increased his premium in December 2023. I've listened to the call recording on 18 December 2023. That was unsatisfactory and included some confusing communication.

Nevertheless, I accept Zego's later commercially confidential evidence to us that it used the correct information in mid-December 2023 when it increased the premium to £2.53.

### Conclusion

The Insurance Product Information Document had said that the term of the policy was one day. A certificate of enrolment described the policy as "pay-as-you-go insurance".

In that unusual context, I don't find that Zego was obliged to hold its premium at the same level for a fixed term, for example one year. I consider that it could decide on a daily basis whether it wanted to insure Mr B and, if so, at what premium.

I've seen a Zego screenshot correctly recording that the incident was in September 2021.

I accept Zego's evidence that it used the correct information in mid-December 2023 when it increased the premium to £2.53.

Unlike the investigator, I don't consider that it would be fair and reasonable to direct Zego to go back to the premium of £1.75.

### **Putting things right**

Nevertheless, I'm not satisfied that Zego did enough to manage Mr B's expectations in July 2023 or to communicate to Mr B an explanation of its position since December 2023.

I've thought about the impact of that on Mr B. That included making him believe (albeit incorrectly in my view) that Zego was charging him more because it hadn't taken on board the correct information about the claim from September 2021. As that has gone on for several months, I find it fair and reasonable to direct Zego to pay Mr B £150.00 for distress and inconvenience.

### **My final decision**

For the reasons I've explained, my final decision is that I uphold this complaint in part. I direct Extracover Limited (trading as Zego) to pay Mr B £150.00 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 16 August 2024.

Christopher Gilbert

**Ombudsman**