

The complaint

Miss R has complained that U K Insurance Limited trading as Churchill Car Insurance (UKI) said that she misrepresented the situation with her brother who was to be a named driver on her policy. This meant her premium increased.

She's also complained that when she queried the premium price with a UKI adviser she was told that if she didn't agree to the new price, she wouldn't be able to buy insurance from UKI for six years.

What happened

When Miss R applied for her policy, to start on 1 October 2023, she wanted to have her brother and her mother on the policy as named drivers. When filling in the details about her brother she disclosed he had been involved in an accident in April, but she said no claim was made. This was incorrect as there was a claim concerning her brother and this accident.

So due to this information which UKI discovered by 5 October, an increased premium was generated of £139.15. When Miss R phoned up to discuss this, she was told she could remove her brother as a named driver and pay only £35.54 extra. Miss R said the adviser told her that if she didn't pay it, she couldn't get insurance with UKI for six years. So, Miss R paid the extra £35.54 and took her brother off the policy. She also complained.

UKI was clear that Miss R had made a qualifying misrepresentation under the Consumer Insurance Disclosures and Representations Act (CIDRA) and it had done nothing wrong. Miss R didn't agree so she brought her complaint to us.

The investigator ultimately decided that UKI didn't do anything wrong as regards increasing the premium given Miss R told UKI the wrong information about her brother's accident. But she did think the UKI adviser gave Miss R the wrong advice about having to pay the extra premium saying if she didn't do so she wouldn't be able to buy any insurance from UKI for six years. This meant Miss R wasn't aware that she could cancel this policy herself with no such adverse consequences. So, the investigator said to put things right, UKI should pay Miss R £56.40, which is equivalent to the extra she had to pay, given other quotes Mr R had obtained with UKI at the time with 8% interest on top. And it should also award £150 compensation for the distress and inconvenience this matter has caused to Miss R.

Miss R agreed but UKI didn't and asked for a final decision. Therefore, Miss R's complaint has 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 don't consider that it's in dispute that Miss R did provide the incorrect information about her brother's accident and claim. As the investigator explained in her first view. Although Miss R disclosed her brother was involved in an accident in April 2023, she said he hadn't made any claim concerning that accident whereas in fact he had made a claim.

This would be considered a 'qualifying misrepresentation' under the Consumer Insurance (Disclosures and Representations) Act 2012 (CIDRA). And because it was a 'qualifying misrepresentation' this gave UKI certain remedies. It decided to treat Miss R's misrepresentation as careless which I consider is fair. And UKI said if it knew her brother had made a claim when Miss R was applying for her policy, that information would have generated a higher premium according to its underwriting guide. That's also fair given the contents of the underwriting guide, which as it's commercially sensitive, I can't share that specific information here.

So essentially, I'm satisfied that UKI didn't act unfairly in deciding Miss R misrepresented the relevant information and that in turn generated an extra premium.

However, the second part of Miss R's complaint is a different matter. Understandably given all the above Miss R telephoned UKI because she didn't understand things. She bought a policy with her mother and her brother as named drivers for £475.24. The issue with her brother's claim caused a premium increase of £139.15 making the total premium £614.39. However, before she phoned UKI on 18 October 2023 she had obtained another quote from UKI with her brother on the policy which came out at £529.12. She queried why she couldn't buy that.

But the adviser didn't follow UKI's own underwriting guidelines in explaining the options Miss R had. The adviser mistakenly told Miss R that if UKI cancelled or indeed if Miss R cancelled her policy, that would mean UKI wouldn't offer any insurance for a total of six years. So, she had to pay the extra premium. But that's not what UKI's underwriting guide says, it says if UKI cancels her policy it won't offer her insurance again for six years. Miss R's rights to cancel her policy if she wanted to for whatever reason, was never fettered in this way provided payment for things like time on risk and any cancellation fees were paid. So, as a consequence of the mistaken advice UKI's adviser gave her, Miss R decided to take her brother off her policy. The premium with just her and her mother rose to £510.78 which Miss R genuinely felt she had no option but to pay. This was despite having quotes from UKI at that time showing that with both her mother and brother as named drivers she could have paid £529.12. Or she could have cancelled and just had her mother as named driver for £454.38.

I consider this incorrect advice by the UKI adviser coerced Miss R into paying more than she would have done had her right to cancel been confirmed at the time by the UKI adviser. I don't consider that is reasonable.

Therefore, I agree with the investigator that effectively because Miss R didn't believe she had any right to cancel the policy, she ended up paying more for just her mother being a named driver than she needed to. The quote Miss R had obtained with just her mother was £454.38 and what she ended up paying was £510.78 so I consider it's reasonable for UKI to refund Miss R the difference of £56.40 with interest.

This caused Miss R some trouble and upset so I also agree with the investigator that UKI needs to pay compensation for this given the wrong advice of its adviser. In line with our approach as detailed on our website I consider the sum of £150 compensation to be fair and reasonable in these circumstances.

My final decision

So, for these reasons it's my final decision that I uphold this complaint.

I now require U K Insurance Limited trading as Churchill Car Insurance to do the following:

- Refund Miss R the amount of £56.40 adding interest of 8% simple per year from the date she paid this sum to the date it refunds her.
- If income tax is to be deducted from the interest, appropriate documentation should be provided to Miss R for HMRC purposes.
- Pay Miss R £150 compensation for the trouble and upset its incorrect advice caused her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 24 September 2024.

Rona Doyle
Ombudsman