

The complaint

Mr W has complained that his motor insurer, Admiral Insurance (Gibraltar) Limited ('Admiral'), didn't provide him with the full refund he was due when he changed his car on his policy.

What happened

In January 2024 Mr W insured one of his cars with Admiral and agreed that when his second car's insurance was due for renewal, in October 2024, that he would add that car onto the same policy so he could benefit from Admiral's multi-car discount. Mr W was told that the premium for his second car would be £74.65. The policy was due to renew in January 2025 so the second car would be on cover between October 2024 and January 2025 and then the policies for both cars would renew together in January 2025.

Mr W had to change his main car in March 2024 and updated his policy to reflect this. He was told his premium would cost £140.25 less but when it came with issuing him with a refund, Admiral only refunded £65.57 after retaining the £74.65 premium for his second car.

Mr W wasn't happy that he was being charged a premium that was not due until October 2024 in March 2024 i.e., seven months earlier. He said he wasn't happy to be paying for a service that he wasn't yet provided with.

Admiral considered Mr W's complaint but didn't issue a refund or uphold the complaint. It said that there were no errors on its part, and this was the way it calculated refunds.

Mr W didn't agree and brought his complaint to us. He said he felt that the money had been effectively stolen from him.

One of our investigators reviewed the complaint but didn't think it should be upheld. The matter was later reviewed by another investigator who reversed the outcome and didn't think it was fair and reasonable for Admiral to charge the premium early when it initially said it wouldn't be charged till October 2024. She acknowledged Admiral had offered to cancel the policy, but she didn't think this was sufficient and Mr W previously told us that there was no guarantee the price wouldn't increase later.

Our investigator tried to mediate between Mr W and Admiral and said it was too late for Admiral to issue a refund as the premium was due imminently, but it should pay Mr W £30 compensation. Mr W agreed but Admiral didn't and asked for an ombudsman's decision.

Before I proceeded with my decision, I asked our investigator to go back to Admiral and ask it to point to its terms and conditions where they say it is entitled to charge the premium so early on.

Admiral responded and said that the £74.65 was due to be charged in October 2024 however when a refund was generated in March 2024 after Mr W changed his main car, the premium owing i.e., the £74.65 was taken off the refund generated. It referred to a condition in its policy which relates to cancellations. The condition states that in cases where a multi-car discount has been applied and a vehicle is removed from the policy the premium will be adjusted for each remaining vehicle. It also said that this is its process and that its system marries the refund against the pending charge in these situations.

As the matter was not resolved, it 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.

I think this complaint involves a fairly unusual set of circumstances and the findings I make below are very specific to this set of circumstances.

Mr W is unhappy that Admiral charged him for his second car's premium months before it was due to be paid. My understanding is that Admiral says that once a refund is generated, as was the case when Mr W changed his main car, its system effectively automatically takes off any future premiums due from this refund. This also means that the refund isn't collected later, so it's not charged twice.

Admiral referred to its policy terms and conditions in support of its actions. I have considered the condition it referred to, but I don't think it says that Admiral is entitled to charge a premium this early. It simply says that had one of Mr W's cars been taken off the policy the premium for the other car would have to be recalculated. And this is because while the two cars are on the policy Mr W benefits from a discount.

My understanding is that the premium was taken off the refund by Admiral's system. And that this was an automatic process so a refund couldn't have been processed manually so that it could give Mr W his full refund and charge the £74.65 in October 2024 when it was due. I appreciate that this seems to be a restriction within its own system, and we wouldn't normally interfere with a businesses' internal processes. But Mr W isn't privy to Admiral's internal processes. And what I am mainly considering here are the terms and conditions which is the contract that Mr W and Admiral entered into. I haven't seen anywhere within the terms and conditions that entitles Admiral to effectively charge a premium seven months before it is due. And in any case, I don't think it is fair and reasonable for Mr W to be denied access to funds which are his and which would have been available to him to use as he wanted until October 2024.

I appreciate Admiral says it was restricted in what it could do but I still think it should be able to recognise that Mr W being told that the money would be taken off his refund, seven months before he was due to pay that premium, would have caused him some distress.

As I said above, I think this is a fairly unusual set of circumstances. But I do think Admiral's actions have caused Mr W a degree of distress and inconvenience and I agree it should pay him £30 compensation for this. As our investigator said the premium would have been due by now so I won't ask Admiral to issue a refund. And I haven't awarded any interest as the amounts involved here are very small.

My final decision

For the reasons above, I have decided to uphold this complaint. Admiral Insurance (Gibraltar) Limited must pay Mr W £30 for the distress and inconvenience it caused him.

Admiral Insurance (Gibraltar) Limited must pay the compensation within 28 days of the date on which we tell it Mr W accepts my final decision. If it pays later than this it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

If Admiral Insurance (Gibraltar) Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr W how much it's taken off. It should also give Mr W a tax deduction certificate if he asks for one so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 3 January 2025.

Anastasia Serdari
Ombudsman