

The complaint

Mr W complains Advantage Insurance Company Limited didn't provide a premium refund when he cancelled his motor insurance policy.

Mr W's been represented for the complaint. For simplicity I've referred to the representative's actions as being Mr W's own.

What happened

In August 2023 Mr W took out an Advantage telematics policy. It was arranged, and administered on behalf of Advantage, by the broker. From here on I've referred to the broker's actions as being those of Advantage.

Various aspects of Mr W's driving behaviour were monitored and scored. He was required, under the terms of the cover, to keep his overall driving score above 30.

In early February 2024 Advantage wrote to Mr W to tell him his score had dropped below 30. It said as a result his policy would be cancelled in 20 days. The letter explained a cancellation fee wouldn't be applied. It said he will only be required to pay for the time he had been insured. It explained that if he cancelled the policy himself, he wouldn't need to declare it with any new insurers. Mr W says similar information was given in a phone call.

About eight days in to the 20 days cancellation period Mr W called Advantage to cancel the cover. He had arranged new insurance to begin a day or two later. Advantage told him he wouldn't receive any refund of premiums as he had made a claim against the policy.

In March 2024 Mr W complained to Advantage. He said he had been told he would only have to pay for the time on cover if he cancelled the policy. As he had been on cover for 171 days of a 12-month policy he had expected a refund equivalent to 194 days cover – about £1,500.

Advantage issued a complaint response. It said as the driving score had rapidly dropped below 30 it had issued an immediate cancellation. It added the policy terms explain when a cancellation happens following a fault claim the entire premium is retained.

Unsatisfied with Advantage's response Mr W referred his complaint to the Financial Ombudsman Service. He said if it had been explained he wouldn't receive a refund he would have waited until the final day of the cancellation period to cancel – gaining an extra 12 days cover. He wouldn't have taken out a new policy as he would have understood it wasn't financially viable for him. He said being without a refund had caused financial difficulty and significant distress. To resolve his complaint he would like Advantage to provide a pro-rata refund of the premiums.

Our Investigator felt the cancellation was fair and in line with the terms of the policy. She found the terms allowed Advantage to retain the full premium because of the claim. But she said it hadn't made this clear to Mr W during the cancellation process. She accepted this had resulted in him missing out on 12 days of cover.

The Investigator recommended Advantage pay £150 compensation to make up for that and some distress involved. But she pointed out that as Mr W had become aware of the lack of refund after a short period, he could have taken steps to mitigate his loss - such as cancelling the new cover within its cooling off period. So she didn't recommend Advantage refund any premiums. As Mr W didn't accept that as a resolution the complaint 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.

As this is an informal service I'm not going to respond here to every point or piece of evidence Mr W and Advantage have provided. Instead I've focused on those I consider to be key or central to the issue. But I would like to reassure both that I have considered everything submitted.

Mr W isn't happy with the driving score cancellation. But he has said he accepts it. He hasn't raised the accuracy of the scoring as part of his complaint. So I haven't considered the accuracy of the driving data as part of this complaint. Instead I've focused on Mr W's key concerns – that he didn't receive a pro-rata refund and hadn't been told that before he cancelled.

Whilst I haven't considered the accuracy of the data, Advantage has shown Mr W's score was below 30. The policy terms do state that the score must stay above 30 or cover may be cancelled. So I consider it fair and in line with the terms for Advantage to decide to cancel the policy.

The policy terms also explain that no premium refund is payable when there has been a non-recoverable claim during the period of cover. This is a common term found in motor insurance. There was a claim with costs in excess of the premium. These hadn't been recovered. So ultimately it was reasonable and in line with the terms for Advantage not to provide any premium refund.

So I've found it was fair for Advantage to begin the cancellation process and not to offer a refund. But I agree with Mr W that it failed to provide clear enough information on the lack of refund. Insurers are required to provide clear information to aid consumers understanding and decision making. It would have been reasonable for Advantage to have explained earlier in the process that no refund would be given because of the claim.

So I've considered what would have happened differently if it had provided Mr W with clear information. The policy would always have been cancelled, whether by Advantage or Mr W, without a refund. So I'm not going to require Advantage to provide a premium refund. But I do think the unclear information caused Mr W a loss of 12 days cover. I agree he likely wouldn't have cancelled until the final day of the 20-day period if he had been fully informed.

I don't though accept it would be reasonable to find Advantage should cover any greater loss than that. Mr W may not have taken out new cover if he had been aware of the lack of refund. But as the Investigator explained he didn't take any steps to reduce any resulting loss. When he was made aware of the lack of refund the new cover had only been in place a short period. It would likely have still been within a cooling off period. So it could have been cancelled with no or little financial cost.

So in conclusion I find Advantage failed to provide clear enough information about the lack of a refund. That caused Mr W to lose out on around 12 days of cover. It also caused him some disappointment, at the lack of expected refund, and some resulting distress. I agree with the Investigator that £150 is a fair amount for Advantage to pay make up for that.

My final decision

For the reasons given above, Advantage Insurance Company Limited must pay Mr W £150.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 5 February 2025.

Daniel Martin
Ombudsman