

The complaint

Mr A has complained that Advantage Insurance Company Limited unfairly cancelled his intended policy when it asked him to provide details of his No Claims Discount (NCD), driving licence and vehicle registration document – V5C (V5).

References to Advantage include all its agents including its intermediaries.

What happened

Mr A applied online to buy his policy on 7 May 2024 and his policy was due to start on 28 May 2024.

Once the sale had been completed online, Advantage then sent Mr A the ‘welcome pack’ which included the cover summary, statement of insurance, payment summary, certificate of insurance, schedule of insurance and the insurance product information document.

On 14 May 2024, Advantage asked Mr A to provide a copy of his NCD, driving licence and V5. That letter explained that unless these documents were received by 21 May 2024, his policy might be cancelled.

Mr A was very unhappy about this request for further documents as his contract had already been accepted. He was also of the view that it was implying he might have been dishonest in his answers on the application form. So, he didn’t provide these documents to Advantage. On that basis Advantage cancelled his policy and gave him notice on 22 May 2024 that his policy wouldn’t start on 28 May 2024. It also refunded him his premium of £677.86 and deducted £20 for *‘the cost of your main insurance policy, including insurance premium tax (IPT) at the current rate and any amendments, fees and additional products’*.

Mr A complained. Advantage said it had the right to validate insurance policies in this way and it helped ensure any claims later would then be covered. It explained its right to do this was contained in the policy documents plus it explained this in the ‘Welcome Pack’. Mr A remained dissatisfied and brought his complaint to us.

The investigator was of the view Advantage hadn’t done anything wrong. Mr A disagreed and so his complaint is being 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.

Having done so I’m not upholding this complaint. I’ll now explain why.

First, I should explain we are an informal resolution service. Therefore, whilst I may not comment on everything Mr A has raised, I have considered it in full. My remit is to come to a fair and reasonable decision.

Secondly this decision is only binding on Advantage and Mr A, if Mr A accepts it. If Mr A doesn't want to accept it, and he doesn't have to, then nothing will be binding on anyone in that case. Regardless, if Mr A accepts or not, this decision brings an end of this service's involvement in Mr A's complaint against Advantage, just so Mr A is fully aware of that too.

Thirdly this Service is not the regulator of insurers such as Advantage here, the Financial Conduct Authority (FCA) is, so we don't provide the regulations under which insurers must act in their dealings with policyholders or applicant consumers.

What is the standard procedure.

It is standard industry practice under the regulations set up by the FCA that insurers can validate motor policies in the way Advantage wanted to do with Mr A's policy. This is because insurers underwrite several risk factors, all of which has a rating which then affects the premium amount quoted. So, if a consumer said on an application form for a motor insurance policy, they had five years NCD, but the NCD confirmed by their previous insurer only showed they had three years NCD then the risk factor changes and the premium quoted and accepted would invariably be more expensive. The same thing would happen if a consumer said they had a full driving licence on the application form, but their licence shows they had a provisional licence, or worse still they weren't licenced to drive at all. The same thing would apply if the car being insured was something different on the V5 to what the applicant said on the application form as different cars are rated differently in underwriting terms both as to value and horsepower. It's invariably cheaper to insure a car of low value which isn't very powerful than the top of the range hugely powerful 4X4.

Each of these sorts of things would cause a premium amount to change (usually increase) if they turned out to be different than what the consumer said on the application form. Under the Consumer Insurance (Representations and Disclosures) Act 2012, (CIDRA) a consumer who gave incorrect information on the application form from what was in fact true, can be very heavily penalised to include not getting their claim paid and to include having their policy cancelled. This can be from a genuine mistake on the part of the policyholder too, most importantly. Or indeed in circumstances where it was discovered a policyholder had truly deliberately lied on the application form to gain a lower premium too. So, for example if the car was destroyed in an accident that would mean the policyholder wouldn't be paid the market value of his car in that case. He mightn't get anything for his car at all, or instead have the claim proportionally discounted instead which means he loses out on the full market value of his car.

So, to protect all consumers from something like this happening, and indeed to reduce potential fraud as well, the FCA allows insurers like Advantage in Mr A's case to request this type of evidence to ensure any claim he might have during the course of the policy year wouldn't be caught out by what CIDRA provides insurers can do, if any of these answers weren't answered correctly, whether by a genuine mistake or by deliberately trying to gain an advantage.

So, Advantage wasn't doing anything wrong asking Mr A for these documents, especially as this was all before his policy start date. Something like this can be asked of anyone who applies for a motor policy to include me, so Mr A wasn't being singled out or treated differently at all. And neither was Advantage actually thinking for one moment whatever Mr A might have given as an answer on the application form was just going to be always wrong or incorrect either. It was simply following a standard procedure many, many, motor insurers do, depending on what each individual insurer decides, as they are fully entitled to do under the regulations too. Sometimes indeed, some requests for such validation evidence is done completely randomly too. Often applicants buy policies online on the same day they need

their insurance policy to start, so the requests for validation are done well after the policy start date also. But the purpose of asking for these documents is to protect policyholders as well as to prevent fraudsters getting cover. This is what Advantage does for its customers and there is nothing wrong with it doing it either. Indeed, it's something the regulations under which insurers operate are fully encouraged to do.

This is also because with every policy sold the FCA requires that the insurer permits the new policyholder with a '14 days cooling off' period where once all the documents have come through the policyholder can access the policy wordings etc (also often available throughout the application process too) and read them all through. If something isn't right for that policyholder, or they don't like the extent of something like the excess being charged if a claim is made or have realised that possibly the premium is simply too high after all, they are entitled to change their minds, and can cancel the policy themselves with no consequences and receive a full refund of any premium paid. Or change the basis of the cover and get a reduction or increase of the premium being charged. But once that 14-day cooling off period is over, things like cancellation charges or increases in those charges, will have to be paid. Advantage didn't charge Mr A the £45 cancellation charge even though it was entitled to do so given he refused to provide the validation documents. It merely retained £20 due to taxes etc.

Did Advantage give Mr A adequate notice it might ask for validation documents?

In this policy Advantage says in its 'welcome pack' which it sent to Mr A on 7 May 2024 on the first page:

'Please check everything's correct

Here's what's included in your pack - please read these details carefully, and if they aren't right tell us straight away. We may be in touch if we need to check any of the information you've given.'

Then in the statement of insurance enclosed in the 'welcome pack' it says:

'We may ask you for more information

As part of our ongoing commitment to reduce fraud and keep our prices competitive, we check the information customers give us to make sure it's accurate. We may ask you for proof of no claims discount, mileage declaration or other information. If we need you to provide any more information, we'll let you know.'

In the policy document it says under the General Conditions section:

'9. Documents we may ask for

*It's a condition of **your policy** that **you** supply **us** with any information or documents that **your insurer** may ask to see to support the details **you** gave when **you** applied for **your policy**. For example; a V5C vehicle registration certificate, a recent utility bill or a current MOT certificate.'*

I know Mr A said he had problems accessing the portal to view the policy document after he received Advantage's request for further documents on 14 May as I can see he sent in his online correspondence concerning these difficulties. In the varying responses from Advantage trying to sort out Mr A's log in details for the portal it also gave him a telephone number to call as well. So, I consider it was trying to help Mr A reasonably in getting into the portal.

It was Mr A's own decision to buy such an online policy as this one provided by Advantage is. If he had wanted to, he could have chosen an insurer who doesn't say the following which is on the front page of the 'welcome pack':

'Online insurance

This is self-service insurance, where you're expected to manage most parts of your policy online.

You can still call us if you need to:

- o Make or discuss a claim*
- o Claim on an optional extra'*

So, I consider it was wholly Mr A's choice to buy a policy operated in the main online and through a portal too. There is no requirement or regulation for insurers to have no online portal at all. It tends to keep the premium costs lower as there is less requirement for people to man the phones. But nevertheless, Advantage ensured Mr A was given a telephone number to call with his difficulties in gaining access to the portal which I consider is both appropriate and reasonable.

Policy cancellation

So, when Advantage sent Mr A the request on 14 May 2024 for copies of his NCD, driving licence and V5 I consider it had provided Mr A with appropriate warnings that he might be asked for such things given the contents of the 'welcome pack' even if there were difficulties in accessing the actual policy document.

I also consider that as Mr A didn't provide the requested documents, Advantage had every right to refuse to start his policy. But that's not quite the same as cancelling a policy after it started. Here, because Mr A bought his policy well before the date it was due to start, his policy with Advantage just never started but the contract he and Advantage had entered into to start the policy on 28 May 2024 was then cancelled.

However other motor insurers will usually ask 'has any other insurer refused you insurance cover' or words to that effect, and here Advantage did just that. It refused to start Mr A's policy because he refused to provide the documents to validate his policy. Therefore, sadly for Mr A he should declare this on any insurance application in the future. This will have an effect on Mr A's ability to obtain insurance at the very cheapest of rates which can be offered. This is because if an insurer knows another insurer refused to provide cover for Mr A for whatever reason, then it changes his risk profile in underwriting terms, so he invariably becomes a more expensive risk.

Conclusion.

I do understand and appreciate Mr A will be very disappointed with my decision given the depth of his feelings on the matter, as he has told us. But I consider Advantage didn't do anything wrong, it was very much entitled to ask for the validation documents if it wanted to and it warned Mr A appropriately it might do this in the 'welcome pack' and the policy document too.

The policy warns of this very adequately in my view as it says the following:

'Your legal obligations

It's an offence under the road traffic act to make a false statement or to withhold material information in order to get motor insurance.

Under the Consumer Insurance (Disclosure and Representations) Act 2012, when you apply for insurance, you have a duty to take reasonable care to answer all questions as fully and as accurately as possible.

If you do not take reasonable care to answer all questions fully and accurately or if you deliberately make a false statement or withhold material information, there could be serious consequences. In certain circumstances your insurer, or we acting on your insurers behalf, have the right to treat your policy as if it never existed, without giving you notice or refunding your premium. This will only apply:

...

If the details on your documents are wrong, please contact our customer services team as soon as possible. Their details are at the front of this document.

If you want to make a change to your policy please contact our customer service team. Customers with online policies should tell us about the changes on the app or MyAccount website.'

One last thing, in law and in the policy document when an applicant decides to accept the premium offered from an insurer, it's a fact that the applicant then accepts the policy terms and conditions too. The policy also says the following under the heading 'Legal Statements':

'The policyholder of a single car policy is covered by the insurer for the period of cover when the policyholder:

- *Agrees to the terms and conditions offered; and*
- *Pays, or has offered to pay, the costs of insurance for the car policy.*

The policyholder is required to take reasonable care not to make a misrepresentation when providing information to the insurer and/or us.'

This is because of the existence of the cooling off period of 14 days which gives the new policyholder time to read all the policy documents and decide it's the right policy for them. So given asking for such documentation is a condition of the policy, Advantage wasn't doing anything wrong as regards the terms of the Unfair Contracts aspects of The Consumer Rights Act (2015).

My final decision

So, for these reasons it's my final decision that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 13 February 2025.

Rona Doyle
Ombudsman