

## **The complaint**

Mr S complains that Extracover Limited trading as Zego failed to take full account of his no claims discount when calculating his premiums for a scooter and motorbike insurance policy.

## **What happened**

Mr S took out scooter and motorbike insurance with Zego in July 2020. He initially bought a 30-day policy and renewed it on a monthly basis. He then bought an annual policy in November 2020 and renewed that for another year in November 2021. He subsequently bought a 30-day policy and continued to renew the policy on a continuous monthly basis. In October 2024 Mr S raised a concern about his no claims discount. Zego investigated and found that his no claims discount hadn't been applied correctly to 11 of his 30-day policies. It recalculated his premiums and said it owed Mr S £104.38, which it refunded to him. Mr S didn't think Zego had done enough to put things right and so brought his complaint to this service.

Our investigator upheld Mr S's complaint. She noted that Zego had started Mr S's no claims discount from the date of his first annual policy in November 2020. But Mr S was insured with Zego from July 2020, so his no claims discount should have been calculated from that date. She said Zego should recalculate Mr S's premiums using the correct entitlement to his no claims discount and refund the difference, adding 8% interest to that amount. She also said Zego should pay Mr S £250 in compensation for the distress and inconvenience caused by the prolonged resolution to this matter.

Mr S agreed with our investigator's opinion, but Zego did not. So, the complaint has been passed to me to make a final decision.

## **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.

Zego accept it made a mistake when calculating Mr S's premiums. It said its system failed to update the no claims discount amount in November 2023 when Mr S's entitlement increased from two to three years. Zego rectified that error by adjusting the entitlement and refunding the overpaid amount of £104.38.

Mr S wasn't satisfied Zego had done enough to put things right and our investigator agreed. She noted that Zego had started Mr S's entitlement to a no claims discount from November 2020, when he bought his first annual policy, and not July 2020, when he first bought a policy through Zego.

In response, Zego said the terms of Mr S's policy said he needed to take out 12 continuous 30-day policies in order to earn a 1-year discount. It said its policy booklet explicitly outlined this condition. And this meant Mr S had zero entitlement to a no claims discount across all four 30-day policies in 2020.

The terms and conditions of Mr S's policy reads as follows:

"A no claims discount is only allowed on annual policies or when you have 12 months or more continuous claims-free cover with us."

The addition of an 'or' between the first term and the second means that either can be valid. So, even though Mr S wasn't entitled to a no claims discount based on the first part of that term (until he took out an annual policy), he was entitled to a discount under the second part of that term if he had 12 months or more continuous claims-free cover with Zego.

As far as I'm aware, Mr S hasn't made a claim on his policy, so that part of the term has no bearing on this matter. Zego said the terms explicitly say the policy holder needs to take out 12 continuous 30-day policies in order to earn a 1-year discount. But I don't agree. It doesn't explicitly say that. The term simply says the policy holder must have 12 months or more continuous claims-free cover. And as Mr S had continuous claims-free cover from July 2020, I think his entitlement should have started 12 months from that date.

Zego might argue that the intention of the term was that policy holders would need to have an annual policy or 12 continuous 30-day policies. But it doesn't explicitly say that. And had it done Mr S might have made a different decision about whether to continue with a 30-day policy or buy an annual policy. So, I don't think Zego has treated Mr S fairly.

### **Putting things right**

Zego has already recalculated Mr S's premiums to ensure his correct no claims discount entitlement was applied to 11 of his policies. In light of my findings above, Zego should now recalculate his premiums again on the basis his entitlement to a no claims discount started 12 months from when he first bought a policy, which was July 2020.

Zego should also pay 8% interest on the total amount of the refund (including the refund already made) from the date the discount should have been applied to the date the refund is (or was) made.

Mr S has said this matter has caused him a significant amount of stress and inconvenience. He said Zego didn't initially trust the information he provided and he had to prove his case by providing emails, policy details and credit references. He wanted compensation of between £1,000 and £1,400 to reflect the distress caused and the financial loss he's incurred. While I don't think it would be fair to expect Zego to pay that amount of money in compensation I think it's only right it should pay something to acknowledge the impact its service has caused. Our investigator thought £250 would be appropriate and, in light of the evidence I've seen and the impact described by Mr S, I too think that would be a fair and reasonable amount in all the circumstances.

### **My final decision**

In light of the above, my final decision is that Extracover Limited trading as Zego should:

- recalculate Mr S's premiums on the basis he's entitled to a no claims discount 12 months from when he first bought a policy up to now - and pay him any amount due;
- pay 8% interest on that amount from the date the discount should have been applied to the date the refund is made; and
- pay Mr S £250 for the distress and inconvenience caused by its poor service.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or

reject my decision before 28 April 2025.

Richard Walker  
**Ombudsman**