

The complaint

Mrs K complains about how Aviva Insurance Limited (Aviva) dealt with a refund due under her motor insurance policy following her removing a named driver from the policy.

References to Aviva in this decision include their agents.

What happened

In September 2024 Mrs K phoned Aviva to ask that they remove a named driver from her motor insurance policy. The call handler told Mrs K the removal of the named driver meant a refund on the premium of £457.80 was due. Mrs K expected the sum to be refunded to her, but after a month she hadn't received the refund. She phoned Aviva again to ask why she hadn't received the refund, to be told the refund had been used to reduce the remaining monthly payments through which she was paying for her policy.

Mrs K didn't think this fair, as she believed she would receive the refund as a one-off sum. She thought the meaning of 'refund' was that it would be repaid directly, not used as a credit to her account and then used to reduce the monthly premium. She didn't think Avia had been transparent about how they would make the refund and not leaving her thinking she would receive the refund as a one-off payment to her. So, she complained to Aviva.

Aviva issued a final response in November 2024 in which they didn't uphold the complaint. Aviva said they'd reviewed the call in which Mrs K asked the named driver was removed, but they didn't think there was any fault on their part and the call handler had given Mrs K the correct information. The call handler explained the change meant a refund of £457.80 and that this would reduce Mrs K's monthly premium payments from £339.94 to £99.58 from October 2024 onwards. Avia added that when customers made changes to their policy and they were paying by monthly direct debit, any reduction in premium would be spread over the remaining monthly premiums due.

Mrs K then complained to this Service. She said she'd been led to believe she would receive a one-off payment of the £457.80 refund she was due. She wanted Aviva to refund the sum and apologise for what she thought was sharp practice. She also wanted compensation for what had happened.

Our investigator didn't uphold the complaint, concluding Aviva didn't need to take any action. She noted that, generally, where a consumer paid for a motor insurance policy through monthly instalments, this was usually through a form of finance agreement. So, any refund would be used to pay off the finance. That is, the premium owed for the year, rather than being paid direct to the consumer where there is still outstanding finance owed. So, it wasn't unreasonable or unfair for Aviva to take this approach in the case of Mrs K. Aviva had said this was their approach to all consumers who paid for their policy monthly – so Mrs K hadn't been treated any differently or unfairly.

Listening to the call in which Mrs K asked Aviva to remove the named driver, the investigator notes the call handler goes through the details of the change requested, before telling Mrs K the monthly direct debit would change from £339.94 to £99.58 per month, for the payment

from October 2024. Mrs K confirms she would want to complete the change. The call handler then refers to the collections (of the monthly premium) will reduce to £99.58 per month, the next collection being October 2024. Based on this, the investigator concluded Aviva had explained what would happen when the change was made, including the reduction in monthly premium. There was no suggestion the refund would be made directly to Mrs K.

Mrs K disagreed with the investigator's view and asked that an ombudsman consider the complaint. She said the call with Aviva wasn't clear, about whether the change would mean a reduction (in her monthly premium) or a refund. She didn't think it was made clear the refund would be spread over the remaining monthly premiums. She was told her new monthly premiums would be £99.58 but it wasn't clear this related to the £457.80 reduction. She didn't think what she was told complied with the requirements of Consumer Contract Regulations, specifically the total price of the policy. She maintained she was left with a misleading impression she was due a refund (to be paid directly).

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.

My role here is to decide whether Aviva have acted fairly towards Mrs K.

The key issue in Mrs K's complaint is whether it was made clear to her that the reduction in her premium (£457.80) would be applied to the remaining monthly premiums due, rather than refunded as a one-off payment to her. She maintains it wasn't made clear and that she was left with the impression she would receive a one-off refund. Aviva say their call handler made it clear the refund would be used to reduce the remaining monthly premiums, beginning with the next collection after the change had been made. They also say this is how they would apply any refund of premium where a consumer is paying for their policy through monthly premium collection.

Given Mrs K contacted Aviva by phone to make the change to her policy (to remove the named driver) I've listened to the call in question. Mrs K asks that the named driver be removed from the policy, which the call handler confirms and that the change applies from [27] September 2024. The call handler notes Mrs K pays monthly, which means the total refund or reduction to make the change would be £457.80 and the monthly direct debit will change from £339.94 to £99.58 per month, for the payment from [28] October onwards. The call handler goes on to say the £457.80 is a pro rata change to the policy renewal date (which Mrs K says is December 2024, indicating the final monthly premium will be November 2024).

While the call handler refers to 'refund or reduction' – which Mrs K thinks is unclear – the reference to the reduction in monthly premium reducing makes it clear, to my mind, that the £457.80 is being spread over the two remaining monthly premiums. So, I've concluded it was clear that was how the £457.80 would be credited to Mrs K. And at no point in the call does the call handler say Mrs K would that sum credited (or paid) directly to her. In responding to our investigator's view, Mrs K says Aviva didn't make it clear (under the Consumer Contract Regulations) what the total cost of the policy was. However, as the call in which she made the request to remove the named driver was quite short (just over six minutes) then I don't think this was unfair or unreasonable as she was given a clear indication of the effect of the change she wanted to make, as well as how that change would be made to her, through reduction in the two remaining monthly premiums.

But in any event, Mrs K received updated policy documents (by email) following the change that she made. This is what I would expect where a consumer makes a change to a policy, so they have a record of the change and its impact. In this case, I can see the updated policy documents record a refund of £480.75 – which is actually greater than the figure mentioned in the call. But the documents go on to state:

“Your monthly payments will therefore decrease to £99.58 and collection of this amount will start on 28 October 2024. There will be a final payment of £99.55.”

Given the monthly premium was £339.94 then the two revised monthly payments of £99.58 and £99.55 mean a reduction of £480.75 (compared to what otherwise would have been two monthly payments of £339.94).

So, I think the updated policy documents set out clearly the [actual] reduction in premium and that it will be reflected in the two remaining monthly premiums. Given that, I think it's clear Mrs K shouldn't have expected a direct refund [of £480.75] as that would be double counting.

I've also noted the updated policy documents include reference to the 'new annualised price' of £1,403.93. Which is explained as what Mrs K would have paid at the start of the policy term if the change she made had applied to the full 12 month term of her policy. I think this is equivalent to what Mrs K says should have been the total price of the policy. Given that she would have been provided with the original price of the policy in the policy documents issued at the inception of the policy.

Taking all these points together, I've concluded Aviva have acted fairly and reasonably towards Mrs K, so I won't be asking them to take any action.

My final decision

For the reasons set out above, it's my final decision not to uphold Mrs K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 7 July 2025.

Paul King
Ombudsman