

## **The complaint**

Mr F complains that Aviva UK Digital Limited ('Aviva') didn't make it clear to him when he chose to pay for his home insurance policy that he was taking out a credit agreement which would show on his credit report.

## **What happened**

Mr F took out a home insurance policy online which was arranged by Aviva, and which started on 11 November 2024. When taking the policy out, he chose to pay instalments by direct debit. Aviva set up a credit agreement, which required Mr F to make an initial payment of £78.78 followed by ten monthly instalment payments of £39.75.

Mr F complained that Aviva didn't inform him by choosing to pay in instalments he was entering into a credit agreement which would be recorded on his credit file. Aviva provided a final response to this complaint on 9 December 2024 saying that by paying instalments Aviva was paying the full annual premium upfront and lending Mr F the money for this to repay over monthly instalments in the form of an unsecured loan. And because it was providing him with credit, it was required to assess his creditworthiness, which it did by obtaining a credit report from a third party agency.

Aviva also acknowledged in this final response that Mr F had requested to change his billing plan to annual. I can see that following this, on 21 December 2024 Mr F settled the balance for the credit agreement which had funded his premium.

Aviva provided another response to Mr F on 23 December 2024 saying that it had provided Mr F with information during the sales process that he was entering into a credit agreement by choosing to pay instalments.

Dissatisfied with this response, Mr F referred his complaint to us. One of our investigators reviewed the complaint and didn't find Aviva had treated Mr F unfairly. She said she'd looked at the information Mr F was provided during the sales process, and she was satisfied this showed he was informed a credit check would be carried out if the instalments option was selected, and that towards the end of the sales process Mr F was provided clear information that he'd be entering into a credit agreement. And due to this, the investigator didn't think that Aviva had acted unfairly in setting up the credit agreement. So, she didn't think it needed to request the record of the credit agreement be removed from Mr F's credit file.

Because Mr F didn't agree, the complaint was referred 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, while I understand Mr F will be disappointed, I've decided not to uphold this complaint. I'll explain why.

I should start by saying while I've read and considered everything Mr F and Aviva have provided, I won't be commenting on every point made. I'll instead concentrate on what I consider are the key points I need to think about for me to reach a fair and reasonable decision. This isn't meant as a discourtesy to either party, but instead reflects the informal nature of this Service.

I've begun by looking at the terms of Mr F's policy. The policy Mr F took out was an annual insurance contract which required a premium of £472.67 be paid by Mr F. Although he chose to spread the cost through monthly payments, payment in full of the premium was still required in exchange for the period of cover being provided by the insurer. By choosing to pay in instalments, Mr F wasn't entering into a pay-as-you-go arrangement with the insurer, instead he was entering into a credit agreement which provided an advance used to pay the annual premium upfront.

This isn't unusual, as arrangements such as this are commonly used where an option is offered to spread the cost of paying for an annual insurance policy. While I don't find it materially unfair for Aviva to have offered this payment option to Mr F, to do so fairly it should have provided information to Mr F about the credit agreement which was clear, fair and not misleading. So, I've considered if it did.

Aviva has provided screenshots showing the sales process. This shows he was offered the option of paying monthly instalments or one annual payment. Directly underneath the question, this said "*Paying in monthly instalments often means you'll enter into a credit agreement*". The sales process also contained a screen showing data usage which said "*Some insurance providers carry out soft credit checks on your data and credit history*".

So, I think Mr F was given notice that the instalment option may have been in the form of a credit agreement and may have required a soft credit check. And had Mr F not wished to proceed on those terms, he could have chosen the option to pay the full instalment instead.

Mr F was also provided with an 'adequate explanations' document and pre-contract credit information document. Having reviewed both, I'm satisfied they show it was fairly explained to Mr F he was entering into a credit agreement to pay for the policy.

Mr F says that he wasn't informed an account would be added to his credit record. But I find he was provided with an important information document which said Aviva may process information from a credit reference agency and the adequate explanations document he was provided said that his credit rating could be impaired if he didn't keep up with his monthly instalments. In addition to which, the credit agreement he was provided set out the right for Mr F to withdraw from the agreement for any reason within the initial 14 days and also set out that missing payments could affect his credit rating.

So, I think based on the information Mr F was provided, on balance he reasonably could have known Aviva would report information relating to the agreement, and that he could have withdrawn from the credit agreement entirely in the first 14 days had he not wished for this to happen.

Aviva has confirmed that the agreement has now been recorded as settled on Mr F's credit file. Since I don't find Aviva acted unfairly in setting up the agreement, and I find this to be an accurate record of the status of the agreement, I don't find it unreasonable for Aviva to have made this record and have decided not to require it to request the record be removed.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 4 September 2025.

Daniel Tinkler  
**Ombudsman**