The complaint

Mr B complains Advantage Insurance Company Limited ('Advantage') unfairly caused him to have to cancel his car insurance policy and about the resulting fees from this.

What happened

Mr B held a car insurance policy provided by Advantage. His policy most recently renewed on 4 January 2024.

In November 2024, Mr B contacted Advantage to get a quote for a new vehicle which was due to be delivered to him. But he was dissatisfied with the amount Advantage quoted, and that it was only able to offer him a telematics (or 'black box') policy. So, he decided to cancel his policy and look for cover elsewhere.

So, the policy was cancelled with effect from 11 December 2024. Following which Advantage wrote to Mr B to say there was an outstanding balance of £126.21 he would need to pay – which was comprised of a £45 cancellation fee, in addition to a remaining premium for the time he was on cover. Mr B found this to be unfair, so he made a complaint.

Advantage provided a final response to this complaint on 18 December 2024. It said when the details change on the policy, the premium may also change, and it looks at lots of different factors in relation to a new vehicle on the policy to assess the risk. So, it didn't think it had acted unfairly by proposing a higher premium and it had checked the details Mr B had provided and was satisfied the price quoted for his new vehicle was correct. But as a gesture of goodwill, it agreed to waive the £45 cancellation fee and offered to compensate Mr B £30.

Mr B was dissatisfied with this response, so he brought his complaint to us. After doing do, Advantage said it had identified an error when it generated the quote for Mr B as it had incorrectly based this quote on Mr B having held his license for zero years which likely meant the quote he was provided was wrong. So, in recognition of this, it offered to pay Mr B an additional £100 compensation on top of the £30 it had already offered and the £45 cancellation fee it had waived.

Our investigator put this offer to Mr B saying that he thought it was a fair and reasonable way to put things right given that overall the amount being compensated was greater than the outstanding balance Mr B owed.

Because Mr B 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, I find Advantage has already offered to resolve this complaint in a fair and reasonable way. So, I won't be requiring it to do anything more than what it's already offered to do. I'll explain why.

I've began by looking at the policy terms. These say the insured must inform Advantage if there are any specific changes in their circumstances including a change of their car, and that some changes can affect how Advantage will assess the risk and may result in a change in the premium.

It isn't unusual for car insurance policies to require the insured to notify the insurer of a change in vehicle, nor is it unusual for a mid-term change in the vehicle to alter the premium given that the type of vehicle insured is typically one of the factors which an insurer will use to assess the risk and determine the premium. So, I don't think it was unfair in principle that Advantage recalculated the premium when Mr B proposed to replace the vehicle insured on his policy.

The policy terms also say that insured has the right to cancel the policy, but if the policy is cancelled after the 14 day cooling off period a cancellation fee of £45 will apply, and if the policy is being paid for by instalments under a loan agreement the balance of the annual premium will need to be paid, but if no non-recoverable claims have been made during the policy year, a premium refund will be issued on a pro-rata basis.

So, under the terms of the policy, when Mr B decided to cancel his policy instead of accepting Advantage's quote, it was entitled to charge him the cancellation fee and for any unpaid time on cover prior to the cancellation.

However, Advantage has acknowledged that it made an error when calculating the premium for the new car Mr B wanted to add to the policy because it based this on him having his driving license for zero years, when in fact Mr B has driven for over 20 years. Essentially, it generated this quote as though Mr B were a new driver, instead of an experienced driver. Consequently, it was only prepared to offer Mr B a much higher quote, and a telematics only policy.

Advantage hasn't shown what the quote for changing the vehicle would have been had it not made this error. But I find it likely the quote would have been on more favourable terms given that driving experience is commonly a factor insurers consider when determining a premium resulting in new drivers tending to be charged higher premiums than experienced drivers.

So, I think Mr B was treated unfairly due to the error Advantage made when providing him a quote to replace the vehicle on cover. I've considered the impact of this.

Without knowing what the actual quote should have been, it's difficult to say how the error may have influenced Mr B's actions. I say this because even if the quote had been based on Mr B's correct driving experience, the change of vehicle itself may have resulted in an increased premium which may have deterred Mr B from accepting it resulting in the cancellation still coming about. But it's also possible the quote may have been acceptable to Mr B were it sufficiently more favourable, in which case the cancellation likely would have been avoided.

But Advantage has agreed to waive the £45 cancellation fee and has offered Mr B a total of £130 compensation. So, I've considered if this is a fair and reasonable way to put things right.

Mr B still benefitted from the insurance cover before cancellation. So, it is both reasonable and in line with the terms of the policy for him to pay a premium for the time he was covered. However, the £130 compensation offered more than offsets the outstanding balance of £81.21 which remained after Advantage waived the £45 cancellation fee from the original outstanding balance of £126.21. This effectively places Mr B in a better financial position than before, and I consider it a reasonable way of acknowledging the distress and inconvenience he was caused by having to cancel his policy and arrange alternative cover elsewhere.

I think Advantage unfairly caused Mr B some distress by providing him a quote which wasn't based on his correct level of driving experience and Mr B was also potentially unnecessarily and unfairly inconvenienced by having to cancel his policy and take out cover elsewhere. But for the reasons I've set out above, I think what Advantage has now agreed to do to put this right is fair and reasonable. So, I've decided not to require it to do anything more than this.

Lastly, I acknowledge Mr B informed us that in April 2025 that Advantage attempted to deduct £10 from his bank account.

I can see from the cancellation letter Advantage sent it said it would collect the outstanding balance of £126.21 through three direct debit payments of £42.07 each on 20 January 2025, 20 February 2025 and 20 March 2025. But this instalment plan was set up before Advantage agreed to waive the £45 cancellation from the balance owed of £126.21, so I do not know the impact that waiving this fee may have had on either the timing or amounts of the payments Mr B still owed to Advantage.

Ultimately, having agreed to waive the £45 cancellation fee, Advantage should not have charged Mr B more than £81.21 following the cancellation of his policy. If Mr B requires clarification on what Advantage has charged him since the policy was cancelled and when, he should check this directly with Advantage. And if Mr B thinks that Advantage has unfairly charged him more than the £81.21 owed following the cancellation, he will in the first instance need to make a new complaint directly to Advantage.

Putting things right

I require Advantage to waive the £45 cancellation fee and, if it has not done so already, pay Mr B the £30 compensation it offered in its final response and the £100 compensation it offered after he brought his complaint to us.

My final decision

I find that Advantage has already offered to resolve Mr B's complaint in a fair and reasonable way.

So, my final decision is that I require Advantage Insurance Company Limited to waive the £45 cancellation fee, if it has not already done so pay Mr B the £30 compensation it offered in its final response, and if it has not already done so pay Mr B the additional £100 compensation it offered after he referred his complaint to us.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 7 August 2025.

Daniel Tinkler
Ombudsman