

The complaint

Mrs B complains that U K Insurance Limited trading as Direct Line ('UKI') didn't tell her that her policy cover could change in the future which meant her daughter wouldn't be covered when she passed her driving test.

What happened

Mrs B took out a motor insurance policy for her daughter with UKI, who held a provisional driving licence at the time. She says she understood the premium paid would cover her daughter after she passed her test, and there would be no change in price. However, when she told UKI her daughter had passed her test, and now held a full driving licence, UKI said their underwriting criteria had changed and they could no longer cover her. They said they would charge for time on cover, but refunded the remainder of the premium and didn't charge a cancellation fee.

Mrs B was unhappy and complained. She said she had specifically asked UKI whether the price would change and was told it wouldn't. And she says she was never told that the terms might change which meant her daughter couldn't be covered anymore – and so when she took out the policy and it was mis-sold to her. She said if UKI had told her about potential changes – she could have taken out a much cheaper policy instead.

UKI considered the complaint and upheld it in part. They said that at the time of the policy sale, they'd confirmed more than once the price wouldn't change when Mrs B's daughter passed her driving test and at the time, the information provided was correct. But by the time Mrs B's daughter obtained her full driving licence, their underwriting criteria had changed which meant they could no longer provide the same cover. But they recognised that the agent could have done more in the specific call to explain that their criteria *might* change, and so they felt it fair to award £300.

Mrs B didn't agree with the response from UKI and brought the complaint to this Service. She said if UKI had told her that the cover may change at a later date, she wouldn't have taken out the policy at all and would have purchased an alternative learner driver policy, which she said would have cost her less than £300. Instead, she'd paid over £1,700 for UKI's cover.

I issued a provisional decision of this complaint, and I said the following:

"As part of my review of this complaint, I'm required to take into account: relevant law and regulations; regulators' rules, guidance and standards, and codes of practice. As an insurer, UKI has an obligation to provide information to their customers that is clear, fair, and not misleading, in line with the requirements under the Insurance Conduct of Business Sourcebook ('ICOBS')."

The key issue here is down to whether Mrs B was mis-sold the insurance policy from UKI. I appreciate Mrs B says that had UKI told her their terms would be subject to change in the future, she wouldn't have purchased their policy and could have sourced cover for a much cheaper price.

When Mrs B spoke to UKI, her main concern was that the price of the policy would not increase in price when her daughter passed her driving test and obtained a full driving licence. This was confirmed to her several times and appears to have been a main consideration for her when taking out the policy. Unfortunately, by the time Mrs B's daughter did obtain her full licence, UKI's underwriting criteria had changed, which meant they weren't prepared to offer cover for drivers with a recently obtained licence.

I appreciate how frustrating this must have been for Mrs B – but I'm not persuaded that UKI's underwriting criteria possibly changing in the future is information UKI could reasonably have provided at the time of the sale of the policy. And this means that I can't fairly direct that it would be fair for UKI to reimburse Mrs B for the difference in cost between the policy she purchased, and one she may have been able to take out instead.

With hindsight, I can see why Mrs B says that if she'd been told UKI's underwriting criteria may have changed in the future, she could have opted to source cover elsewhere. But the same can be said of any insurer when making mid-term changes to cover – and I'm not persuaded that it can be shown Mrs B wouldn't have taken the cover with UKI even if they had said there was a possibility the criteria could change at a future date. I agree the situation would be frustrating, but it's not unreasonable for an insurer to apply the underwriting criteria that is relevant at the time of the change being applied, and that's what's happened here.

Insurers are not generally required to provide customers with advance notice of all possible future changes – particularly where they relate to internal risk appetite and pricing models. This is because an insurer's underwriting criteria is commercially sensitive information – and is not guaranteed to remain static. And while I accept Mrs B would have liked to have been made aware of this possibility, I'm not persuaded UKI was under a duty to inform her of a hypothetical underwriting change that had not occurred at the time the policy was sold."

I concluded that I recognised UKI said they could have done more, in the specific circumstances of this case, to highlight that Mrs B's terms *could* change in the future, and they awarded £300 compensation in light of this. But given my findings, I felt this was fair in the circumstances, so I didn't think UKI needed to increase this sum.

I invited both parties to respond to my provisional findings. UKI said they accepted my provisional outcome, but Mrs B didn't. She said if she had been told by UKI the policy was subject to change she wouldn't have taken out the policy and would have purchased the cheaper policy instead. She maintained that UKI had misled her and mis-sold the policy and they'd admitted this by offering her compensation.

As both parties have now responded to my provisional findings, I will set out my final decision below.

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 haven't been persuaded to come to a different outcome than I did in my provisional decision. I do appreciate Mrs B will be disappointed by this – so I'll explain why.

I do appreciate Mrs B's frustration by this situation, and I recognise that, in hindsight, she may well have wanted to purchase a cheaper policy. But that doesn't change my thoughts about UKI's obligations at the time the policy was actually sold.

At the time the policy inceptioned, UKI gave information to Mrs B that was correct about there being no charge for amending a licence type from provisional to full. I think this is important, because when Mrs B's daughter did obtain her full license, this change isn't the reason UKI were not able to offer cover. UKI explained that the reason they couldn't offer cover was that their underwriting criteria had changed, which meant they weren't prepared to offer cover for drivers with a recently obtained licence.

As I explained in my provisional decision, insurers are not generally required to provide customers with advance notice of all possible future changes – particularly where they relate to internal risk appetite and pricing models. And I remain persuaded that UKI was not required to inform Mrs B of a hypothetical underwriting change that had not occurred at the time the policy was sold.

UKI's compensation award was made on the basis that there was a loss of expectation, and disappointment by a change in their underwriting criteria. I appreciate Mrs B doesn't feel this amount is sufficient to resolve the complaint – especially given her wider concerns. But I am satisfied that the payment was a fair outcome to resolve the complaint. This means I don't think UKI needs to do anything more than they have already.

My final decision

For the reasons I've given above, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 28 August 2025.

Stephen Howard

Ombudsman