

The complaint

Mr C and Mrs C complain about the impact on their No-Claims Discount following a claim made to Highway Insurance Company Limited ("Highway") under their car insurance policy.

Mr C is the policyholder and Mrs C is a named driver under this policy. So, for ease of reference, I will refer to any actions taken, or comments made, by either Mr C or Mrs C as "Mr C" throughout the decision.

What happened

Mr C made a claim for a replacement key, and this claim was settled in 2023. Then, in 2024, Mr C says he sold his car and bought a new car. Mr C says he went online to search for a policy for his new car and entered his details, which included 10 years No-Claims Discount ("NCD"). Mr C says he then discovered his NCD had been reduced to three years. Mr C says he contacted Highway and was informed that his claim for a replacement key shouldn't have affected his NCD. Mr C says this was followed up by an email from Highway confirming the same. Mr C says he called again a few months later as he was still paying a higher premium because of the claim showing on his policy. Mr C says he was then informed the key replacement claim does affect his NCD. So, Mr C complained.

Highway responded and confirmed Mr C's NCD would be affected by the key replacement claim but accepted he was given incorrect information during the phone call and in the email which followed. Highway apologised for this, but they said Mr C had been informed about the correct position relating to his NCD during an earlier call and that the correct position was set out in the policy terms and conditions.

Our investigator looked into things for Mr C. She thought Highway had made an error in giving Mr C incorrect information and recommended they pay £100 compensation. Highway didn't respond, and Mr C disagreed so the matter has come to me for a 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.

Having done so, I've decided to uphold the complaint. And, I think the investigator's recommendation is a fair way to resolve matters. I understand Mr C and Mrs C will be disappointed by this but I'll explain why I have made this decision.

My role requires me to say how a complaint should be settled quickly and with minimal formality and so I'll focus on what I consider to be the crux of the complaint and the main areas of dispute. The dispute here relates to Mr C's NCD being reduced following the key replacement claim.

My starting point is Mr C's car insurance policy booklet. This sets out the terms and conditions and, under a heading 'Section 2: Loss of or damage to your car' it says, "*Claims under this section will affect your No Claims Bonus.*" Point 4 under this heading lists

'replacement locks' and covers replacement keys. There's also a separate section covering NCD on pages 13-14, and this sets out the circumstances under which Mr C's NCD wouldn't be affected – and this doesn't include replacement keys. It also describes what happens should Mr C make a claim and says one claim would have the effect of reducing Mr C's NCD from 9+ years down to three years. There's no dispute Mr C made a claim for a replacement key, and the information shows this was settled by Highway. So, in view of the policy terms and conditions, I can't say Highway have acted unfairly in recording this as a claim and it leading to Mr C's NCD being reduced down to three years. I can see Mr C believes Highway should reinstate his 10 years NCD but, for the reasons mentioned, I don't think that's fair in the circumstances.

I acknowledge Mr C says this has impacted the price of his insurance. The role of this service when looking at complaints about insurance pricing isn't to tell a business what they should charge or to determine a price for the insurance they offer. This is a commercial judgement and for them to decide. But we can look to see whether we agree a consumer has been treated fairly – so is there anything which demonstrates they've been treated differently or less favourably. If we think someone has been treated unfairly, we can set out what we think is right to address this unfairness.

I acknowledge Mr C says his premium increased by over £50 per month and he has been paying this for over a year. It's not unusual or uncommon for a price to be impacted when factoring in a claim and/or a reduction in NCD. In this case, while I acknowledge what Mr C says about the price increase, I can't say Highway have made an error in how the claim was recorded or for the corresponding impact on Mr C's NCD. So, it follows that I can't conclude Highway are responsible if Mr C's price has increased due to the claim made on his policy.

That said, I think Highway have made an error in their communication with Mr C. There's no dispute that Mr C was given incorrect information during a phone call in June 2024. I've listened to a call between Mrs C and Highway on 17 June 2024 and the call handler does confirm the claim shouldn't have affected the NCD. I've also seen the email which was sent to Mr C which referred to the claim and said, "*...this was settled no claims discount not affected.*" There's no dispute this wasn't correct, and Highway have apologised and also referred to an earlier call during which they say Mrs C was given the correct information about the NCD. I've listened to this call between Mrs C and Highway on 3 June 2024. The call handler said he could see a claim involving a replacement key and referred to system notes which he said showed the NCD hadn't been affected. It's only when the call handler then, later in the call, discussed the matter with the underwriting team that he provided the correct information. So, even during this call, Mrs C was given conflicting information.

So, I've thought about the impact on Mr C and Mrs C, and I don't think the apology from Highway goes far enough to address the impact. It's clear Mr C and Mrs C were left confused following the discussion on 17 June 2024, and frustrated when the position was corrected a few months later. I acknowledge the policy terms and conditions does set out the correct position, but that doesn't change the fact that Mrs C was given incorrect information during the call on 17 June – and I don't think it was unreasonable for Mr C and Mrs C to rely on the information they were given during the call.

While I'm not disregarding the fact that Highway did provide the correct information during the call on 3 June 2024, as I've said, this was after assuring Mrs C that the NCD wasn't affected. During this call Mrs C explained she was confused about the process, so I think the phone call on 17 June 2024 had the effect of further assuring Mrs C the NCD wasn't affected – and this then led to frustration when Highway provided the correct information a few months later.

Taking into account the impact on Mr C and Mrs C, and the duration of that impact, I think it's fair and reasonable in the circumstances for Highway to pay them £100 compensation.

Putting things right

I've taken the view that Highway did provide incorrect information. So, Highway should pay Mr C and Mrs C £100 compensation for the confusion and frustration caused.

My final decision

My final decision is that I uphold the complaint. Highway Insurance Company Limited must take the steps in accordance with what I've said under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Mrs C to accept or reject my decision before 29 September 2025.

Paviter Dhaddy
Ombudsman