

The complaint

Ms D has complained that her bicycle insurance for her son's bike was mis-sold to her by Red Sands Insurance Company (Europe) Limited.

References to Red Sands include all its agents.

What happened

Ms D bought an electric bike for her son who was aged 14 at the time, in June 2024. Initially she activated the free 30 day insurance policy which was provided and underwritten by Red Sands and was available to download from a QR code in the shop where she bought the bike.

Once the free 30 days were up Ms D then went on to renew the policy for which a premium then had to be paid by her. This was done online in July 2024. A few days later the bike was stolen, and Ms D made a claim to Red Sands for the value of the bike. Red Sands declined her claim as the policy would only cover theft of the bike, if Ms D or someone in her immediate family using the bike, was over the age of 16. Ms D complained about the declined claim and that complaint has been dealt with by another ombudsman.

This complaint concerns the sale of the policy to Ms D. Ms D said it was never made clear to her that her son needed to be over the age of 16 to be covered under this policy.

Red Sands, through its administrator under its delegated authority issued Ms D with a final response letter on 7 March 2025. It explained once the free 30 days policy expired Ms D of her own volition then went on to buy the comprehensive policy herself. The sales process would have shown Ms D the relevant policy documentation. That policy commenced on 22 July 2025. And the bike was stolen on 28 July 2025. Therefore, it didn't accept Ms D was mis-sold this policy.

Consequently, this service investigated the mis-sale issue for Ms D. And the investigator also didn't believe it was mis-sold, as it was sold on a non-advised basis. Ms D disagreed so her complaint was passed to me to decide.

I issued a provisional decision on 22 August, and I said the following:

Having done so, I am intending to uphold this complaint. I'll now explain why. First, I do want to apologise to Ms D, as I can see the entire process of trying to find out who was responsible for the sale of this policy has been rather complicated and arduous given the number of agents of Red Sands that were involved and that has considerably delayed matters for her.

How both the 30 day free policy and the more comprehensive policy were sold

To clarify this aspect, the staff in the bike shop are merely introducers to the free 30 days policy on behalf of the administrators of the policy, which is then underwritten by

Red Sands. But ultimately Red Sands is responsible for the content of the policy documents and what they say about the risks of owning a bike which they want to cover and what they don't want to cover. That is why this complaint is set up against Red Sands and not the bike shop who was an introducer, or the administrator of the policy.

All these types of policies such as bike insurance to include this one, motor insurance, household insurance, pet insurance etc, are all sold on what is called a 'non-advised' basis. So, the insurer, introducer, or administrator, don't provide advice on whether the terms of the policy would suit the demands and needs of the policyholder. That is for the policyholder to decide for themselves alone, on the basis of the documentation provided at the time of sale. Therefore, when we buy these policies, we are always asked to tick or otherwise confirm that we have read all the policy documents which have been made available during the process of buying the policy. I will deal with the content of the documentation available to Ms D further in more depth below.

This is borne out from the contents of the intermediary's terms of business. This was given to Ms D to read at the activation process for the 30 day policy and at the application stage of the more comprehensive policy. So, it formed part of the documentation generated through the activation of the 30 day free insurance and the application of the more comprehensive policy, for which Ms D paid a premium. It explains that these terms form part of the contract between Ms D, the intermediary and the underwriter being Red Sands. The act of applying for the insurance means Ms D would have been bound by its terms and the act of proceeding with obtaining the policy is taken to mean the terms are agreed and understood. It also explains the intermediary is a tied agent of Red Sands. However, whilst the intermediary will ask questions to narrow down the selection of products and provide the quotation – the decision on whether to take out the policy remains down to Ms D.

It then lays out the duties of the applicant to ensure any questions asked are answered honestly and most importantly that Ms D has a duty to read through the documents to ensure the information she gave was correct. However, it is always for the insurer to ensure its policy terms to include any significant limitations can be clearly understood by any consumer.

So essentially none of these types of policy are sold with any cogent advice from anyone qualified to give such advice according to the regulations set by the Financial Conduct Authority for the sale of these policies.

Therefore no one has advised Ms D to buy this policy on the basis of their professional opinion other than it is sensible to take out bike insurance when buying a bike and that this was the product offered by the shop. This is because it is her responsibility to read what the policy covers and to ensure they met her own requirements, and it is for the insurer to ensure all significant limitations are highlighted. Obviously, this only concerns the insurance policy aspect. This decision is not concerned with any finance either the introducer or anyone else might have also offered Ms D in the sales process.

The free 30 day policy

Ms D said when she was in the shop deciding to buy this bike for her 14 year old son, she said it was perfectly obvious the shop workers knew her son's age. And they actively promoted buying bike insurance and this product in particular. These shop workers were employed by the introducer and obviously part of their duties was to

promote the bike insurance offered by the intermediary which in turn was underwritten by Red Sands.

Red Sands said once Ms D activated the 30 day free insurance which was not 'sold' by any agent, she was presented with an insurance activation form which it provided to us. And during the activation process of this form, the Insurance Product Information Document (IPID), the 30 days insurance policy document, and the terms of business from the intermediary were all available for her to read. And that the activation process asked her to tick and confirm she had read all these documents and understood it. Which Ms D obviously ticked as otherwise the activation process wouldn't be able to continue.

The IPID says the 30 days free policy gives cover against theft, accidental or malicious damage whilst riding or storing the bike securely at home or locked in a public place. The limit is the sum insured of the bike.

This IPID however makes no mention of the policy eligibility that the person insured for the bike must be at least 16 years old. However, Ms D always said she was going to be the policyholder not her son who was only 14 at the time. There was no mention of her son being the owner or policyholder here as he was too young to do this. However, I think this document could have detailed the policy limitation that no one legitimately using this bike could only be covered if they were over 16 years of age.

In the Policy document at just page five, it says the age of the insured person must be aged 16 or over. And that you must be the owner of the bike.

At the end of the policy there is the definitions section. I find this unusual as normally the definitions section is at the beginning of the policy document, not at the end. It defines 'you' as:

'You, Your means the person named as the policyholder on the Schedule who is resident in the United Kingdom. In relation to the conditions of cover, provided the following reside at Your Home on a permanent basis, You includes Your Immediate Family which means a person older than 16 who permanently resides at Your Home and is Your child, stepchild, parent, stepparent, spouse, sibling, life partner, or civil partner, and shall include adoptive relationships.'

Immediate Family is defined as:

'Immediate Family means a person older than 16 who permanently resides at Your Home and is Your child, stepchild, parent, stepparent, spouse, sibling, life partner, or civil partner, and shall include adoptive relationships.'

Therefore, clearly only people aged 16 or older could benefit from the cover provided for in this 30 day insurance policy.

However, no claim was made during these 30 days.
The more comprehensive policy

Ms R clearly decided to buy this policy when the free 30 day cover ended. Red Sands says this decision to buy this policy could not have been influenced by any sales agent other than she was told that her 30 day free policy was ending. I agree. It was solely Ms D's choice to choose this policy to insure this bike. But I also agree

with Ms D that she would have been influenced to buy this policy given the previous provision of the 30 day free policy.

The process of applying for the comprehensive policy involved going to the intermediary's website and applying for it. Again, the IPID, the policy document and the terms of business of the intermediary would have again been available for Ms D to view. And again, she was asked to tick that she has read and understood them. Red Sands disclosed a video of the online application process, and I can see these documents are highlighted on the online form. This meant that Ms D could click into the link and read them in full before ticking she had read and understood them. This is the sole duty of Red Sands and its agents in selling this policy online which is very clearly unadvised, as I discussed above.

However very importantly again the IPID doesn't mention the limitation of cover to those only over 16 in using the bike.

And again, in the policy document the definitions section is at the end of the policy instead of the beginning. But also, again the eligibility is fully detailed as having to be aged 16 or over on page five of the document.

The claim was made under this policy but the terms on who could benefit were much the same as those detailed above in the 30 day free policy. Hence, I don't think it's necessary to repeat them again here.

Conclusion

I consider that Red Sands' presentation of the limitations of cover didn't make sure Ms D understood her 14 year old son would not have any benefit of the cover provided in this policy as he was not yet 16. Obviously too, nothing in this decision can override the decision the other ombudsman made as regards the claim Ms D made for the theft of the bike.

But I do think it would have been better if the IPID listed the limitation of cover to detail that only those over 16 could benefit from cover under this policy to include those in the policyholder's immediate family members too. I consider this is a significant term and a significant limitation, moreover since many children under the age of 16 have bikes and use those bikes to get themselves around their locality on a regular basis. So, I consider this limitation should have been in the IPID and should have been properly highlighted and it wasn't. And the duty on Red Sands is to show it has highlighted significant policy limitations.

Given this significant policy limitation wasn't highlighted in my opinion, the usual outcome is to require the policy to be cancelled, and the premium returned. However, Ms R has indicated that she possibly has another bike insured under this policy. Therefore, I consider it should be at Ms D's option only to decide if she wants this policy cancelled. If she decides she wants the policy cancelled, then Red Sands should refund the full amount of premium she paid with interest.

Compensation

I can clearly see the extent of Ms D's distress, upset and frustration here. It did take a significant length of time to work out and for Red Sands to confirm it was ultimately responsible for the documents given at the point of sale for both of these policies. It could have provided this clarity much earlier in the process. And it didn't.

So, I consider some compensation should be paid to Ms D. I consider consequently that Red Sands should pay Ms D the sum of £300 compensation for the delay aspect. Our approach to compensation is more fully detailed on our website and I consider this amount is fair and reasonable and in line with our approach.'

Red Sands accepted my first provisional decision.

Ms D had some questions. She maintains that she felt induced to buy this 30-day free policy from the sales agents in the bike shop. She was also certain the activation of the 30-day free policy did not present her with the IPID or policy terms. She said she never saw sight of these at all. She sent me the link to activate the 30-day free policy to show there was no documents presented at all. Further as a consumer she wouldn't know how to find the policy documents either. She maintained that she was influenced to buy the comprehensive policy given she had been told by the sales agents in the bike shop it was the best policy on the market.

And therefore, she didn't understand why Red Sands wasn't being directed to pay for the loss of the bike. She explained that she had found other insurance to cover her son given he was under the age of 16. And she maintained that had she known this policy wasn't suitable for her son to use the bike, given his age, she wouldn't have bought it.

So, I issued a second provisional decision and said the following:

'Having done so again, I am issuing a second provisional decision. This is because I was unaware Ms D had since bought a policy which did cover her son. I had understood her to say she couldn't find one, but I can now see that she couldn't find any policy which would allow anyone under the age of 18 to be a policyholder only. So, I do apologise that this matter can't quite be finalised yet.

I have also looked on the link Ms D sent me for the activation of the free 30-day policy and again reviewed the application process for the more comprehensive policy. I have also looked at the IPID and policy wording for the free 30-day policy along with the IPID and policy wording for the comprehensive policy, again.

Activation of the 30-day free policy

Using the link that Ms D furnished to me I can see on the activation process for the free 30-day policy that under 'date of birth' it mentions the following:

'You must be 18 years or older at the time of activating this insurance and if you want to cover any family members, they must be aged 16 or over and reside at the same address.'

There is also a tick box to say the following:

'I have read and understood the Insurance Product Information Document (IPID), the 30-Day Complimentary Insurance Terms and Conditions, and the Terms of Business.'

Crucially here no IPID or policy terms are highlighted to show there is a link to read them. So, it's clear to me that in this activation process Ms D would not have been able to read either document. But yet the activation process asks the applicant to tick they have read and understood them. I don't consider this is good enough to show any applicant would be able to read either the IPID or policy document before activating this cover.

Red Sands in its final response letter said both of these would be sent to Ms D in her 'welcome email'. However, I have no evidence from either party as to whether this welcome email was sent and received. Ms D doesn't think so although she said she received many emails once she activated this policy. Red Sands hasn't shown me it sent her any welcome letter.

Far more crucially here though, this activation process does indeed warn Ms D that if she wanted any family members covered, they needed to be 16 or over. So, I consider Ms D was therefore given some notice of this limitation here.

I have already established that the IPID for the free 30-day policy does not contain any information about the limitation on age of those family members which may be covered. And I've established that the policy does say only those aged 16 or over can be covered.

Comprehensive policy application

Turning to the application for the comprehensive policy, I remain of the view contrary to what Ms D said, that you can click into the IPID and policy terms on this one and read them. I certainly can see on the video of the application both are highlighted and underlined meaning one click brings up the link to each document.

Crucially on this application, there is no similar warning that family members needed to be aged 16 or over in order to avail of any cover. Here it merely says you need to be aged 18 or over to apply for the policy.

Again, I have established that the IPID for the comprehensive policy does not contain this limitation on the age of family members who can be covered. And I've established the policy document does detail it fully.

Conclusion

Ms D's testimony is that the sales agent in the bike shop were well aware that her son was aged 14 at the time of buying the bike. They were chatting and joking with him over school and other things. Her testimony is also that she was 'effectively' told this was the best bike insurance on the market. Ms D was parting with £9,500 for this bike so I consider this would be seen as a rather good sale too.

It's clear to me that the sales agents might not have been aware this policy was limited to covering people over the age of 16.

The activation process for the free 30-day policy does make it clear family members needed to be aged over 16. However, the IPID which Ms D may or may not have received doesn't highlight it. The policy terms do detail it, but I have previously concluded this is a significant limitation which also needed to be highlighted in the IPID too. And it wasn't. Importantly there is no claim under this policy, so this policy never needed to respond.

In the application for the comprehensive policy there is no warning about the age of family members to be aged 16 or over. There is no mention of that in the IPID either. There is only mention of that in the policy document.

So, I remain of the view that the lack of highlighting this significant policy limitation in the IPID means that Red Sands has failed in its duty to Ms D's detriment. I don't consider it was enough to simply highlight it in the application process for the free 30-

day policy and in both sets of policy terms. IPIDs exist to enable applicants to see at a glance the main benefits of the policy, what is not covered and any policy limitations. I consider that an age limitation especially on bike insurance for family members is a very significant limitation, as children generally will be high users of all sorts of bikes regardless.

So as Ms D has now explained that she was able to find other insurance to cover her son being under the age of 16, I consider that if this significant limitation had been brought to her attention by the sales agents in the shop, and the IPID of the 30-day free policy, then I consider it's highly likely Ms D wouldn't have activated this free 30-day policy at all. I also consider that if she hadn't activated the free 30-day policy then she wouldn't have bought the comprehensive policy under which she then had to make her claim. That policy's IPID and application process did not highlight this limitation at all.

So that changes the outcome because if Ms D had known about the limitation in this policy, I consider it's highly likely she wouldn't have bought it at all. Instead, she would have bought a policy without the limitation (which she's now done) and therefore would most likely have had adequate cover for the theft too.

When terms are confusing or in this case not adequately highlighted, it's consequently reasonable to uphold the complaint in favour of the applicant or policyholder. This is because Red Sands, like all other insurers offering non-advised sales, are under a duty from the regulations to provide clear information on the cover available, what isn't covered and any other policy limitations so that the applicant has the opportunity to decide if the policy will meet their needs. I don't consider Red Sands has met this duty here. Its highlighting of this limitation is haphazard and is singularly lacking in the IPID. Red Sands in agreeing to my first provisional decision is obviously aware of this. Hence, I confirm this lack of coherent information means in effect this policy was mis-sold to Ms D.

Given that, I now consider it's appropriate that Red Sands should now deal with the claim as if no age limitation existed with a view to paying it subject to the remaining policy terms to include payment of the excess and the payment of the full amount of premium payable for the policy year. And it should add interest from 28 days from when Ms D made her claim to the date it pays her claim. This also means that Red Sands is entitled to keep the premium Ms D paid. If she was paying in instalments, then the entire premium for the policy year is payable by Ms D too.

I remain of the view that compensation is payable for the reasons I gave in my first provisional decision, so I won't repeat them here.'

Ms D accepted my provisional decision.

Red Sands didn't. It said the following:

- I couldn't change the outcome of the claims decision already decided by another ombudsman as I was then effectively overriding that decision.
- It said the new information presented by Ms D concerned the free 30-day policy, but the claim was made under the comprehensive policy, not the free 30-day policy. However nonetheless, it confirmed that Ms D received her IPID and policy terms for the free 30-day cover on 22 June 2024 and they were anyway available to look at under the declaration section of the free 30-day policy.
- And it reiterated it agreed to the first provisional decision outcome.

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 yet again, I remain of the view that the outcome and reasoning in my second provisional decision remains the most fair and reasonable here.

I am not overturning the previous ombudsman's decision, namely that the policy conditions only provided cover for legitimate users of the bike if they were over 16 years of age, and since Ms D's son was aged 14 at the time, consequently the claim wasn't covered. That remains the case.

However, given the lack of notification of this significant age limitation in the policy, coupled with the fact Ms D was able to find an alternative policy, which did cover her 14 year old son, means that this policy was consequently mis-sold to Ms D.

As it was mis-sold, which also means that had Ms D been aware of the significant limitation she wouldn't have bought it, then Red Sands needs to put Ms D back into the situation she would have been in had the significant limitation been properly brought to her notice. That in turn means Red Sands is now required to pay her claim for the loss of the bike subject to the remaining terms and conditions of the policy. As if she hadn't bought this policy, she would have been insured by a different policy which would have covered her son and the theft of this bike.

So, in order to put Ms D back in the situation she ought to have been in, that then means this claim effectively needs to be met by Red Sands as otherwise Ms D is not being put back into the situation she would have been in if the significant age limitation had been brought to her attention properly.

I've already explained at some length the reasons why I don't consider this significant age limitation wasn't adequately brought to Ms D's attention. To summarise these reasons are as follows:

- The free 30-day policy exists to persuade and entice the consumer to buy the more comprehensive policy. There is no other commercial reason for providing free insurance of whatever length of time otherwise.
- I remain of the view that in the original activation for the free 30-day policy it remains less than obvious how one can access the IPID and policy terms. I don't consider that it is adequate to expect consumers to know they must now hover over the words 'IPID' and 'policy terms' in the declaration part of the activation process for the free 30-day policy. And I don't consider it's adequate to expect them to know that the documents will then appear in a separate tab at the top of the screen. The activation page doesn't explain that. Therefore, I don't consider this to be clear enough for consumers, and nor does it adequately discharge Red Sands' duties of ensuring the IPID and policy terms are available.

The more standard method of bringing the IPID and the policy terms to the attention of the consumer is the method used by Red Sands in the comprehensive policy where the link is more traditionally highlighted and underlined, and where most consumers would now be aware of knowing to click them in order to see the contents of each document. More crucially too, that opens the documents on a page right on the screen instead of being tucked up at the top of the screen in a separate tab which may or may not be noticed by the consumer.

- Notwithstanding the availability of the IPID and the policy terms in either the free 30-day policy or the comprehensive policy, far more crucially the IPID in both policies fails to mention the significant age limitation, at all. This is the issue which causes this policy to be mis-sold to Ms D and causes Red Sands to now pay her claim. As Red Sands knows this service expects significant limitations to be highlighted in the IPID and not just in the policy terms.
- As I explained in my second provisional decision on the basis Ms D has now bought a policy which covered her son under the age of 16 years old – *‘I consider that if this significant limitation had been brought to her attention by the sales agents in the shop, and the IPID of the 30-day free policy, then I consider it’s highly likely Ms D wouldn’t have activated this free 30-day policy at all. I also consider that if she hadn’t activated the free 30-day policy then she wouldn’t have bought the comprehensive policy under which she then had to make her claim. That [comprehensive] policy’s IPID and application process did not highlight this limitation at all.’*

My final decision

So, for these reasons, it’s my final decision that I uphold this complaint.

I now require Red Sands Insurance Company (Europe) Limited to do the following:

- Assess Ms D’s claim in accordance with the remaining terms of the policy to include payment of the excess and full year’s premium, with a view to paying it. Add interest of 8% simple per year from 28 days after Ms D made her claim to the date it pays her. If income tax is to be deducted from the interest, appropriate documentation should be provided to Ms D for HMRC purposes.
- Pay Ms D the sum of £300 compensation for the reasons stated above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Ms D to accept or reject my decision before 14 October 2025.

Rona Doyle
Ombudsman