

The complaint

Mr I has complained that he has had to pay an additional premium for his taxi insurance policy through Freeway UK Insurance Services Limited because the insurance company who provide it wouldn't accept his proof of no claim discount (NCD).

What happened

Mr I purchased a taxi insurance policy via a comparison site through Freeway. When he inputted his NCD he stated it had been earned on a private car. The NCD was transmitted to Freeway as earned on a taxi. And Freeway set the policy up at an annual premium of £1,435.95. When Mr I provided a copy of his proof of NCD to Freeway it realised it had been earned on a private car. It told Mr I he needed to pay an additional premium of £897.41, plus a broker fee of £50. Mr I said he wasn't happy about this. And when Freeway realised Mr I had inputted his NCD as earned on a private car, it agreed to cancel his policy and make sure he only paid for his time on cover. It also offered him the option to pay the additional premium with it waiving its broker fee. Mr I opted to pay the additional premium and continue with the policy.

Mr I complained to Freeway about having to pay the additional premium. It rejected his complaint on the basis it had offered him reasonable options once it had discovered his NCD had been earned on a private car.

Mr I wasn't happy and asked us to consider his complaint. Our investigator issued two views on Mr I's complaint. In the first view he said that if Mr I chose to cancel the policy he should be able to do so without charge. And he said Freeway should pay him £300 for the distress and inconvenience he'd experienced as a result of the error on its part in accepting his private car NCD as a NCD earned on a taxi.

Freeway didn't agree with the investigator's first view and asked for an ombudsman's decision. It felt the options it had offered Mr I were reasonable and it pointed out that the revised annual premium on his policy was still likely to be lower than he'd have obtained on policies with other providers.

In his second view the investigator said that Freeway should refund the full additional premium Mr I had paid, as he'd acted in good faith and his acceptance of the original quote created a valid contract between him and the insurer. And the insurer had only changed the terms of the contract due to an error by Freeway. The investigator also said Freeway should pay Mr I a further £100 in compensation for distress and inconvenience.

Freeway didn't agree with this view either for the same reasons as it disagreed with the original view.

The investigator sent Mr I copies of both his views, but he did not provide comments on either of them.

I issued a provisional decision on 19 November 2025 in which I set out what I'd provisionally decided and why as follows:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

It seems it was an error in Freeway's system that led to Mr I having to pay a significant additional premium. I say this because Freeway has accepted responsibility for what happened. And this caused Mr I a considerable amount of distress and inconvenience. But, I do not think his acceptance of the quotation from Freeway and the insurer's agreement to provide the policy at the price quoted means Mr I had a valid contract with the insurer at this premium. I say this because, so far as the insurer was concerned, it was providing the contract on the basis Mr I had earned his NCD on a taxi. But due to an error in Freeway's system this wasn't the case. So, I do not think the insurer had any obligation to honour the premium Freeway had quoted and which Mr I accepted.

However, I do need to consider whether the error with Freeway's system in transmitting Mr I's NCD as a taxi NCD prejudiced his position in any way. But I don't think it did. I say this because it does seem that if this error hadn't occurred he'd have ended up paying at least as much to obtain a policy as he paid in the end for the policy Freeway arranged for him. I can see this because of the quotes Freeway provided with its response to the investigator's views.

Nonetheless, I do think the whole experience was very frustrating for Mr I and would have been distressing for him and inconvenient. Especially, as he will not know for sure what premium he would have paid if he had not opted for the policy through Freeway. And I think he needs to be compensated for this. I say this because as things stand he hasn't actually received any compensation from Freeway. All he's had is its agreement to waive a fee he would never have been charged in the first place if it was not for the system error.

So, I agree with our investigator's first view that Freeway should pay Mr I compensation for distress and inconvenience. But I think the £300 he suggested is too much. And I've provisionally decided £200 is appropriate, as I think this is in line with what we would normally award for the level of distress and inconvenience Mr I experienced.

I don't think there is a need for Mr I to have the option to cancel his policy free of charge at this stage, as he decided against doing this when he was offered the option originally. And it would mean he'd wasted around six months earned towards his first year's NCD using his vehicle as a taxi.

My provisional decision

For the reasons set out above, I've decided to uphold Mr I's complaint about Freeway UK Insurance Services Limited and I require it to pay him £200 in compensation for distress and inconvenience.

I gave both parties until 3 December 2025 to provide further comments and evidence in response to my provisional decision.

Freeway has responded to say it accepts my provisional decision.

Mr I has responded to say he doesn't agree with my provisional decision. He has said this is because he thinks the outcome is too sympathetic to Freeway. He thinks Freeway was 'cheating' or 'scamming' him in providing a low quotation. And he doesn't think £200 in compensation for the distress and inconvenience he experienced is enough.

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 am satisfied that what I provisionally decided is fair and reasonable.

I accept that an error with Freeway's system caused it to provide a quotation based on a NCD that was invalid for the type of policy it was arranging. But I do not think it deliberately provided a lower quotation knowing it was incorrect. I say this because I haven't seen any evidence that it did this deliberately or it was some sort of scam. In fact, all the evidence it has provided supports its suggestion that this was due to a system error.

So, while Mr I did end up with a lower quotation than he should have done. And was very disappointed when he found out the quotation he had been provided with was wrong, I think £200 in compensation for this disappointment, distress and inconvenience is fair.

My final decision

For the reasons set out above and in my provisional decision, I uphold Mr I's complaint about Freeway UK Insurance Services Limited and require it to pay him £200 in compensation for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 30 December 2025.

Robert Short
Ombudsman