

The complaint

Mr M complained that Advantage Insurance Company Limited wrongly reduced his no claims discount (NCD) on his motor insurance policy.

What happened

Advantage said that Mr M misrepresented his NCD when he took out his policy by claiming that it was two years' NCD. Advantage thought the evidence didn't show that. As a result they reduced his NCD from two years' to zero and increased his premium.

The investigator recommended that his complaint should be upheld. He thought that Advantage's decision was unfair. Advantage didn't agree and so I was asked 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.

The law which applies here is the Consumer Insurance (Disclosure and Representations) Act 2012. As the investigator noted, it says that a consumer needs to take reasonable care not to make a misrepresentation when taking out an insurance policy. If a consumer fails to take reasonable care, and their misrepresentation is a qualifying one, the insurer can take certain actions. I have therefore looked at whether Mr M did take reasonable care not to make a misrepresentation, whether that misrepresentation was qualifying, and whether Advantage's actions then were in line with CIDRA.

Advantage said Mr M didn't take reasonable care to disclose his correct NCD. He said he had two years' NCD but Advantage said the documents he sent to support that didn't show that, as they had overlapping time frames. Because of this, they reduced his NCD to zero years and charged him an additional premium.

Mr M showed three documents from his previous insurer to support his NCD of two years. The detail of these is known to the parties and has been covered so I won't repeat it here. However the start date of one of them is June 2022 and the end date of another is November 2024. Any part overlap of the policy dates is reasonably explained by one policy being cancelled and another one started when Mr M changed his car. Advantage said they would clarify this with the previous insurer, but they hadn't done so. The previous insurer documents confirmed that Mr M had made no claims in the two year period before he took out his policy with Advantage. So I don't think it was fair of Advantage to assume misrepresentation in those circumstances.

Mr M took out his policy with Advantage via an online insurance comparison site. I've looked at the question it asked him. It said:

"How many years no claims discount (NCD) do you have?"

This should be the amount of NCD you'll have when this policy starts. Your NCD can't be used for more than one policy at a time and can't be more than two years old.

How do I find out?

You automatically build up NCD (often called no claims bonus or NCB) for each year you hold a policy in your name without making a claim.

You can find out how many years of NCD you have on your renewal letter or by contacting your current or previous insurance provider. If you're unsure whether your NCD is applicable, please check with your current provider before purchasing."

Advantage's own website says:

"How many years no claims discount do you have?"

Your NCD years have to be earned in the last two years and in a private car (rather than a commercial vehicle, van or bike). Remember you can only use NCD on one policy at a time but if you've been insured on more than one vehicle you may have more than one NCD. If you're not sure how many NCD you have, check the renewal quote you received from your last insurer"

I don't think either of the above questions asked of Mr M require him to show that all NCD years must be shown to have been earned on only one consecutive policy, as opposed to more than one policy which together evidence a consecutive period as Mr M has shown.

And I agree with the investigator's view, that Mr M has answered the question as a reasonable consumer would, which meets the CIDRA test for whether or not the consumer took reasonable care. So I think that Mr M did take reasonable care not to make a misrepresentation when answering the question asked of him. He reasonably believed that he had two years NCD and he didn't make a claim in the two years before taking out the policy with Advantage. This means that it was not a qualifying misrepresentation and so Advantage can't take any action under CIDRA.

I think it was unfair of Advantage to reduce his NCD to zero years and to increase his premium and charge him an administration fee. It also mean that Mr M could only declare one year NCD instead of three for his later renewal, and this likely means that his premiums will be higher than they should be.

Advantage say they have now refunded Mr M some amounts because they think they should have reduced his NCD to one year rather than zero. However for the reasons above they should refund him as if they had accepted his two years' NCD and also recalculate any premium he has paid since then on the basis that he did have that two year NCD at that time which will have increased since then. They should refund any difference between what they did charge him and what they should have charged him, plus interest on the refunded amounts. And because Advantage's actions have also caused Mr M distress and inconvenience I think that they should also compensate him £100 for that.

My final decision

For the reasons given above, it's my final decision that I uphold the complaint. I require Advantage Insurance Company Limited to:

- Refund Mr M the increased premium and the administration fee they charged him, less any amounts they have already refunded him.
- Pay Mr M interest on the above refunded amounts at 8% simple interest from the date Mr M paid them it to the dates they refund it to him.

- Recalculate Mr M's current period of insurance based on three years' NCD and pay him any refund due.
- Pay Mr M interest on that refunded amount at 8% simple interest from the date Mr M paid them it to the date they refund it to him.
- Pay Mr M £100 compensation for the distress and inconvenience caused.

Advantage must pay the compensation within 28 days of the date on which we tell them Mr M accepts my final decision. If they pay later than this, they must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple

If Advantage consider that they are required by HM Revenue & Customs to deduct income tax from interest, they should tell Mr M how much they've taken off. They should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 28 April 2026.



Rosslyn Scott
Ombudsman