

complaint

Mr D complained about Be Wiser Insurance Services Ltd's handling of his car insurance policy.

background

In February 2016, Mr D took out car insurance online through Be Wiser who were acting as broker. At the time, Mr D held a provisional licence and the policy he took out was specifically for young provisional licence holders. The policy was underwritten by another company. The premium was just under £5,000.

In early March 2016, Mr D was involved in an accident with another vehicle and his car suffered damage. Both drivers said the other was at fault and the underwriter started investigating.

In August 2016, Mr D passed his driving test and obtained a full licence. After Mr D told Be Wiser he'd passed his test, they asked him to pay an additional premium of approximately £5,500. Mr D wasn't happy as he felt the additional premium was too high, so he didn't pay it. Be Wiser then took steps to recover the outstanding premium. Mr D also felt the investigation into the accident to decide who was at fault was taking too long, so he complained to both Be Wiser and the underwriter. Be Wiser said that the underwriter was responsible for the additional premium and for the investigation into the accident to establish whose fault it was.

As Mr D was unhappy with Be Wiser, he brought his complaint to our service. One of our adjudicators looked into the complaint. She felt that the investigation into who was at fault for the accident was the responsibility of the underwriter and not Be Wiser. She also said that Mr D passing his driving test and obtaining a full licence within the policy year was highly probable, so Be Wiser should have told Mr D when he took out the policy that there would be a substantial increase in his premium when he passed his test. She said for that reason Be Wiser shouldn't have increased the premium. She also said Be Wiser shouldn't pursue Mr D for the outstanding additional premium and they should pay him £200 compensation for the distress and inconvenience they had caused him.

Be Wiser didn't agree with the adjudicator. They said the correct respondent to Mr D's complaint was the underwriter. The complaint was therefore passed to me to decide.

My provisional decision was issued on 14 December 2018. I said:

"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'm intending to uphold this complaint in part. I'll explain why.

In his complaint, Mr D has made a number of detailed points and I've considered all those carefully. But in this decision I will focus on what I consider to be the key issues. My role is to decide if Be Wiser have acted in a fair and reasonable way.

the investigation into the accident and the increase in premium

The investigation into the accident and the decision on whose fault it was is the responsibility of the underwriter, not Be Wiser. Similarly, the underwriter is

responsible for the increased premium. Mr D has also complained to the underwriter, so I've addressed these points in that decision.

should Mr D have been told about the possible future increase in his premium?

Mr D's policy was specifically aimed at young drivers on a provisional licence. And as it's usual in the insurance industry for premiums to increase substantially once a provisional licence holder passes their test, I think Be Wiser would have known that it was possible Mr D would pass his test during the policy year. Therefore, I think Be Wiser should have told Mr D before he bought his policy that if he passed his test during the policy year, his premium would increase substantially. And while I accept that Be Wiser are unlikely to have known at that moment in time exactly by how much his premium would have increased, I think they knew that it would increase substantially.

I think there's a widely held misconception among provisional licence holders that on passing their test their premiums are likely to reduce, given they are then qualified to drive on their own. That's not the case, as most insurers I have come across think newly qualified drivers are a higher risk, given they are no longer required to drive under the supervision of an experienced driver.

So I think Be Wiser should have told Mr D that on passing his test his premium was likely to increase substantially. That way Mr D could have made an informed decision as to whether or not he would go ahead with this policy. But I haven't seen any evidence that Mr D was told that, which I think is unfair. Be Wiser should therefore not ask Mr D to pay the increased premium. And if Be Wiser have given any information to any of the credit reference agencies that has resulted in an adverse record against Mr D, they should correct that.

I'm therefore intending to require Be Wiser to pay Mr D £200 compensation for the distress and inconvenience he has experienced."

The parties were invited to comment on my findings. Mr D didn't comment on my provisional decision. But Be Wiser said the following:

- The policy was not specifically for "young provisional licence holders". It was sold under the brand "Younger But Wiser" aimed at customers' age, regardless of the type of licence they held.
- They couldn't have known Mr D would pass his test during the policy year.
- They couldn't have known the premium would increase substantially in the event Mr D passed his test and got a full licence.
- It's unfair to put the onus on Be Wiser to advise Mr D the premium could increase when he passed his test. It's common knowledge, and widely publicised, that premiums do increase when a full licence is obtained. In fact, Be Wiser published an article about this.
- It's likely they would have told Mr D that the premium would increase as they have a phone script to that effect.
- They haven't seen evidence to suggest that Mr D obtained a more competitive quote elsewhere at either the point of sale or when passing his test.
- Mr D didn't have to accept the additional premium when the mid-term adjustment was made.

my findings

I've again considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, my findings remain the same. But I would like to respond to Be Wiser's comments, as follows:

- Be Wiser said that the policy was not specifically for "*young provisional licence holders*", it was sold under the brand "*Younger But Wiser*" aimed at customers' age, regardless of the type of licence they held. I don't think this distinction matters because Be Wiser were aware before Mr D took out the policy that he held a provisional licence, which should have triggered them telling him the premium was likely to increase in the event he passed his test.
- Be Wiser said that they couldn't have known Mr D was going to pass his test within the policy year. While I accept they couldn't have known that, I think Be Wiser would have known that it was a possibility, especially as many young provisional licence holders are eager to obtain a full licence as soon as they can.
- Be Wiser said that they couldn't have known the premium would increase substantially in the event Mr D passed his test and got a full licence. They also said it's unfair to put the onus on them to tell Mr D. But I think Be Wiser have contradicted themselves. On the one hand they've said they couldn't have known the premium would increase, yet they've said it's common knowledge. Furthermore, they referred me to an article they published in 2014 that says "*...once you have passed your test... Often there is a large increase in your premium.*" So I think it's plain that Be Wiser were aware that it was likely that the premium would increase substantially.
- Be Wiser said that it's likely they would have told Mr D that the premium would increase as they have a phone script to that effect. I have been provided with a copy of the script. First of all, I understand the actual phone recording of the call with Mr D is not available. Turning to the phone script provided, it reads that once a full licence is obtained: "*This may increase the premium charged by the insurer.*" I note on the page of the script it says "*Ver 916 21-Dec-2018*", which I think indicates this is the version of the script from that date. But Mr D took out his policy in February 2016. So it's not clear if this script was available when Mr D took out his policy. Furthermore, the script says: "*Young Driver Age 25 NOT 21*" suggesting the script was applicable to drivers aged 25 and not 21. At the time Mr D took out his policy he was under 21. So, on balance, I'm not satisfied that Be Wiser told Mr D that his premium would increase substantially on passing his test.
- Be Wiser said that they haven't seen evidence to suggest that Mr D obtained a more competitive quote elsewhere at either the point of sale or when passing his test. I don't think the question whether or not the premium was competitive is relevant. The issue is that Mr D wasn't told before he took out the policy that his premium could increase substantially once he passed his test.
- Be Wiser said that Mr D didn't have to accept the additional premium when the mid-term adjustment was made and he could have cancelled the policy. But if Mr D had done that, being half way into his policy year, given he had an open claim he wouldn't have been entitled to a refund at that point, so he would have been out of pocket.

my final decision

For the reasons set out above, I uphold the complaint in part and require Be Wiser Insurance Services Ltd to:

- Write to Mr D to confirm they are no longer demanding payment of the additional premium from him.
- Pay Mr D a total of £200 compensation for the distress and inconvenience caused to him. This should be paid within 28 days of us telling them that Mr D has accepted my final decision. If they pay later than this they must also pay interest on that amount from the date of my final decision to the date of payment at a rate of 8% a year simple.¹
- Take the necessary action to correct adverse entries, if any, recorded with the credit reference agencies in relation to the non-payment of the additional premium.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 22 February 2019.

Mehmet Osman
ombudsman

¹ If Be Wiser consider that they are required by HM Revenue & Customs to take off income tax from that interest, they should tell Mr D how much they have taken off. They should also give him a certificate showing this if he asks for one, so he can reclaim the tax from HMRC if appropriate.