

complaint

Miss A has complained that Hastings Insurance Services Limited didn't tell her she'd lose a year's No Claims Discount (NCD) by cancelling and replacing her car insurance policy with it.

background

Miss A bought a car insurance policy through a broker, Hastings in December 2017. In July 2018 Miss A called Hastings to check if she was insured to drive other cars. Hastings told her she wasn't. It said Miss A could replace her policy with one that provided her with cover to drive other cars. Miss A cancelled her existing policy and set up a new one.

In December 2018 Miss A cancelled her policy. Hastings wrote to Miss A to say that her NCD had remained at three years. This was the number of years Miss A had when she bought a policy in December 2017. Miss A was unhappy about this. She believed she'd accrued a further year, bringing the total number of NCD years to four.

Hastings said this wasn't correct because Miss A cancelled her policy which started in December 2017 in July 2018. So she didn't accrue a further year's NCD.

It calculated the difference in premium between three and four years NCD at £32. So it paid Miss A compensation of £50 for failing to explain that by cancelling her policy in July 2018, her NCD would begin again at three years from this date.

Miss A asked us to look at her complaint. Our investigator listened to the key call from July 2018 between Miss A and Hastings. She felt that Hastings should have explained the impact the cancellation would have on Miss A's NCD. And she believed that if Hastings had, Miss A would have most likely decided not to cancel her policy to replace it with another one that insured her to drive other cars.

So the investigator thought Hastings should allow Miss A four years NCD instead of three. This is because she cancelled the policy she set up in July 2018 in December 2018. If she'd continued with the policy she bought in December 2017, Miss A would have accrued four years NCD. The investigator thought this was a fairer outcome – as the compensation Hastings paid Miss A didn't allow her to use four years NCD in the future when she may look for insurance.

Miss A accepted the investigator's findings. Hastings didn't agree. It said it was under no obligation to tell Miss A that if she cancelled her policy and bought a new one with it she wouldn't earn a year's NCD. It said it made it clear it was setting up a new policy and that its general knowledge that a policy must be completed in order to earn NCD.

So the case has been passed to me to decide.

my findings

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 intend to uphold it. I'll explain why.

When Miss A bought her car insurance policy in December 2017 she received her policy documents. Her policy was called a 'Hastings Essential' policy. Miss A wasn't insured to drive other cars.

When Miss A called Hastings in July 2018, she explained that her car was in a garage and needed repair. So she wasn't driving it. She wanted to know if she was insured to drive other cars.

I appreciate that Miss A didn't ask if her NCD would be affected by the cancellation and replacement policy from a 'Hastings Essential' policy to a 'Hastings Direct' policy. But I think the onus was on the agent to explain. In the call the agent explained the cancellation process. Because Miss A was buying a replacement policy through Hastings, it didn't charge her a cancellation fee. The agent explained what Miss A would pay if she cancelled her replacement policy. At one point, the agent pointed out that Miss A hadn't protected her NCD. So although Hastings says it was under no obligation to explain the impact on her NCD by cancelling her policy mid term, I think it was fair and reasonable of the agent to do so.

Miss A said that if Hastings had explained that by cancelling her policy in July 2018 she'd lose a year's NCD, she wouldn't have cancelled it. Miss A sold her car in December 2018 and was added to her brother's car insurance policy as she didn't replace her car. She explained that she changed her policy as she wanted to be able to drive a relative's car if she needed to while she wasn't using her car.

I think Hastings failed to provide Miss A with sufficient information to enable her to make an informed decision when she cancelled her existing policy in July 2018 and replaced it with another policy through Hastings. So I don't think the compensation Hastings paid Miss A of £50 is enough to put things right.

I therefore agree with the investigator's recommendation. Miss A had accrued three years NCD when she bought her policy in December 2017. She paid for a further year's insurance until December 2018. So I think a fairer outcome is for Hastings to provide Miss A with a letter confirming her NCD allowance at four years.

my final decision

For the reasons I've given above, I uphold this complaint and I require Hastings Insurance Services Limited to provide Miss A with a letter confirming that in December 2018 her NCD allowance was four years.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 7 June 2019.

Geraldine Newbold
ombudsman