

complaint

Mr S complained that Advantage Insurance Company Limited voided his motor insurance policy and wouldn't pay his claim.

background

Mr S's car was damaged in an incident and he made a claim under his policy.

But Advantage discovered that his car had been modified so they voided his policy, which means that they cancelled his policy from the start, and wouldn't pay his claim. They said that he hadn't disclosed his car's modifications when he bought his policy, and if they'd known about them they wouldn't have insured him at all.

Mr S complained to Advantage. He said that he'd bought his car that way and hadn't known about the modifications. But Advantage felt that he should have known about them.

So Mr S brought his complaint to us. He wanted Advantage to pay his claim.

The investigator recommended that his complaint should be upheld. He believed that Mr S hadn't known that his car had been modified, and that this was not unreasonable. He recommended that Advantage should consider Mr S's claim, remove record of his policy's cancellation from insurance databases, and compensate him £200 for his trouble and upset.

Advantage didn't agree and so Mr S's complaint 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.

It's not in dispute that Advantage asked Mr S about whether his car had any modifications and he'd answered no. In fact Mr S's car had been modified by the addition of a front spoiler, air filter, gauges (dashboard) and a turbo timer. But Mr S said that he didn't know this.

I accept that if Advantage had known about those modifications they wouldn't have insured him at all. They showed us evidence from their underwriters confirming this. Advantage thought that these types of modifications were obvious and that Mr S should have known about them.

A few days after taking out his policy Mr S was thinking about modifying his car. So he phoned Advantage to ask about these and check what effect his proposed modifications would have on his insurance.

Advantage think this must mean that Mr S did understand, or should have understood, that his car already had other modifications. Advantage believed that someone buying this type of car would have done some research about it and so would have known it had been modified. But Mr S said that he wasn't a specialist in this type of car. And just because Mr S did understand about the possible effect of modifications, doesn't mean that he knew that his car had been modified before he bought it. So I don't think it is reasonable to assume that he should have known, and I've no reason to disbelieve Mr S. I also don't think that Mr S should have known from looking at his car that it had been modified, so I don't think that it was reasonable of Advantage to assume this.

And I think that Mr S was open with Advantage about the modifications he wanted to make himself, so it's likely that if he'd known about the existing modifications then he would have told Advantage about them. It follows that any non-disclosure by Mr S was innocent and I don't think that Advantage have treated him fairly and reasonably. I think that Advantage should consider Mr S's claim as if the policy was still in force, reducing any payment by any premiums they may have refunded him. And as Mr S's future insurance could be adversely affected by Advantage's voiding of his policy, I also think that they should ensure that they remove all records of it from insurance databases and also give him a letter saying that his policy was cancelled in error.

As the situation has clearly caused Mr S some inconvenience, I consider that Advantage should also pay him £200 in compensation for that.

my final decision

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

- Consider Mr S's claim under his policy
- Remove any record of his policy cancellation from internal and external insurance underwriting databases
- Give Mr S a letter saying that they cancelled his policy in error for him to show to future insurers
- Pay him £200 in compensation for his trouble and upset

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 2 May 2017.

Rosslyn Scott
ombudsman

Advantage must pay the compensation within 28 days of the date on which we tell them that Mr S 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 they consider that they are required by HM Revenue & Customs to withhold income tax from that interest, they should tell Mr S how much they've taken off. They should also give Mr S a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.