

The complaint

Mr R is unhappy with how Trinity Lane Insurance settled a motorcycle insurance claim he made.

What happened

Mr R took out motorcycle insurance with Trinity Lane in December 2018. His policy had an annual mileage limit of 1,000 miles. In May 2019 Mr R was unfortunately involved in an accident following which his bike was written off. Trinity Lane said the market value of the bike was £7,500 which Mr R was happy with.

However, it said he'd exceeded the mileage allowance as at the time of the accident he'd already done over 3,000 miles. Averaging that out over the year meant he should have taken a policy which would have covered him for around 7,000 miles. Trinity Lane said because of that it was entitled to turn down the claim in its entirety. But it said if Mr R had told it when taking out the policy he'd be doing that number of miles it would have charged around 37% more for it. So it said it would settle the claim by reducing its value in proportion to what Mr R paid. Taking into account the policy excess that meant Mr R would receive around £3,760 which it paid to him.

In response to us Trinity Law acknowledged there was a mistake in how it had calculated the premium Mr R should have paid. In fact the additional amount was 29.9%. Our investigator thought a fair way of settling the complaint was for Trinity Law to pay the additional proportion of the claim Mr R was therefore entitled to plus 8% interest on that amount from the date of loss to the date of settlement.

Trinity Law agreed to do so. Mr R didn't agree. He was happy to pay the additional premium he'd have been charged but felt the reduction in the value of his claim represented a penalty and wasn't fair. So I need to reach a final decision.

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.

I've looked first at Mr R's policy. I can see that this contains an endorsement which says "*as you have received a reduced premium in return for limiting the insured motorcycle's annual mileage to (amount specific on schedule) miles during any one period of insurance you should tell us immediately if you go over this mileage limit. If you do not tell us, you will not be covered under this insurance*".

I've also looked at Mr R's one page policy schedule and I can see that this says:

"Limited mileage As you have received a reduced premium in return for limiting the insured motorcycle's annual mileage to 1000 miles during any one period of insurance, you should tell us immediately if you go over this mileage limit. If you do not tell us, you will not be covered under this insurance."

So I think it would have been clear to Mr R both that this was a limited mileage policy and what that limit was. And at the point Mr R had his accident in May 2019 he'd significantly exceeded the annual mileage limit set out in his schedule because he'd already done over 3,000 miles. I don't think it's in dispute Mr R hadn't told Trinity Lane that was the case. So under a strict interpretation of the terms of his policy no cover was available for the claim he subsequently made.

However, Trinity Lane didn't decline the claim but made a proportionate settlement based on the premium Mr R had paid compared to what it thought he should have paid. I know Mr R disagrees with how it has calculated the annual figure and says his bike would have covered fewer miles in the winter. But at the point of making his claim he'd already been insured for five months (and that period included some winter months). So I don't think it was unreasonable of Trinity Lane to use that figure as the basis for the miles he'd have done on an annual basis.

Mr R also thinks it should have deducted the increase in premium it would have charged for a 7,000 mile policy rather than reducing the settlement in proportion to what he did pay. However, proportionate settlement is an established approach in insurance. Often it applies where an insurer finds a policyholder didn't take reasonable care to provide information (in response to a clear question) when taking out their policy. If the insurer is considering a claim it's then entitled to reduce the amount it pays for the claim in proportion to what it would have charged if it had the correct information. While that's different to the situation here, under the terms of his policy Mr R wasn't entitled to any cover for the accident he had at all. So I can't say Trinity Lane acted unfairly in applying that approach in this case.

I appreciate there does appear to have been an error by Trinity Lane in calculating the additional amount that Mr R would have paid for his policy. However, I agree with our investigator that paying him the additional amount he was entitled to, based on the correct premium level plus 8% simple interest from the date of loss until the date of settlement on that is a fair way of resolving this issue.

My final decision

I've decided to uphold this complaint in part. Trinity Lane Insurance will need to calculate the additional amount Mr R should receive based on a premium increase of 29.9% and pay that to him. It will also need to pay 8% simple interest on that amount from the date of loss until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 30 July 2020.

James Park
Ombudsman