

The complaint

Mr L complained that Saga Services Limited wouldn't refund premiums under his motorcycle insurance policy.

What happened

Mr L took out a policy with Saga in May 2018. He told Saga that he had a non-fault accident claim from March 2018 when he was with his previous insurer. However Saga discovered that the claim had not been settled but remained open. This meant that it was listed on the insurance claims database as a fault claim in the meantime. Because of this Saga increased Mr L's premium by £227.23 for that year.

He was unhappy about this. But he said that Saga told him several times that once he provided proof that the claim had been settled as non-fault, they would amend the claim information and refund him the increased premium amount. And so on that basis, he renewed his policy with them in May 2019.

In about September 2019 his previous insurer did settle the claim as non-fault. After Mr L sent Saga proof of that, they amended his renewed policy to show the claim as non-fault. But they said they couldn't amend the previous year's policy because it had to reflect the true factual position at that time, which was that the claim remained open and so was a fault claim. They also wouldn't refund the premium increase as they said the premium was correct based on the claim's status in that policy year.

Mr L felt that they had changed their minds, and this was unfair. In the final response letter, Saga apologised for their agent in September 2019 having given him the incorrect information that they would refund his premiums. But they said that they had given him the correct information in January 2019. They had told him then that they could only recalculate the previous year's policy premium and make the refund if the claim was settled as not his fault before that year's policy expired. As it wasn't, they couldn't change that previous year's policy information or refund the increased premium. They suggested that he recover the increased premium amount from the third-party's insurers as an uninsured loss. They also said that his no claims discount (NCD) wasn't adversely affected.

The investigator recommended that the complaint should be upheld. She thought that Saga hadn't acted fairly or reasonably and so they should refund the increased premium.

Saga didn't agree and so the complaint has been passed to me 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.

Saga said that the premium they charged in 2018 was correct given that there was an open fault claim at the time. They've sent us the file records on the case, but I do not find them clear as to who they told what or when. Saga agree that they gave Mr L mixed information.

They also accept that they did wrongly advise him that they would be able to refund the policy premium for the previous year. They apologised for this and said that they'd given feedback to their agent about that.

But although they said they gave that wrong advice in September 2019, that was after the policy renewal date. They accept that Mr L also phoned them in April 2019, before the policy renewal date, and they then reconfirmed that they would be able to refund the premium if the claim was settled as non-fault. But their records don't show that they warned him in the April call that any premium refund was dependent on the claim being settled as non-fault before the imminent policy renewal date. And so I think they gave him incorrect information then too, and that was the basis on which he renewed the policy. He did so on the reasonable expectation, given what Saga had told him, that they would refund the previous year's premium increase. And so I think that if they had given him the correct information then, he wouldn't have renewed his policy with them but would more likely have chosen an alternative insurer.

Putting things right

I recognise that Saga can't make any amendment to the previous year's policy information, because it was factually correct about the claim's status at that time. But I think their communication with Mr L was poor and contradictory and I don't think that this was fair or reasonable. And so I think that they should pay him the sum of £227.23 plus interest.

My final decision

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

- Pay Mr L £227.23 plus interest at 8% a year simple from the date he paid Saga that until the date Saga refund it to him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 4 November 2020.

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



Rosslyn Scott
Ombudsman