

The complaint

Mr S complains that Advantage Insurance Company Limited unfairly increased the premium for his motor insurance policy when he moved house and changed job. He's also unhappy about the way it dealt with his complaint.

The policy was administered by another business. But Advantage was the insurer, and was named on the certificate of insurance.

What happened

Mr S took out a motor insurance policy for his motorbike. He paid the premium for the policy in full up-front. Around half way through the policy year, he moved house. He phoned Advantage and told it about his up-coming move. Advantage quoted a premium for the remainder of the policy year that was considerably higher than the original premium.

A few days later, Mr S spoke to Advantage again. He explained that once he'd moved, his motorbike would be kept in a locked garage. He also explained that he'd be starting a new job. Advantage issued another quote, taking into account this additional information. The new quote was around half the previous one, but it was still significantly more expensive than Mr S's existing policy for the remainder of the policy term.

Mr S is dissatisfied that Advantage quoted such a significant increase in his policy premium. He considers that it left him with no realistic choice but to move to another insurer, and he's unhappy that this meant that he didn't build up any no-claims discount during the time that he was insured with Advantage.

He's also told us he's unhappy with the fact that Advantage's agent set up two separate complaints to deal with his concerns, which he says was confusing. And he believes it was unfair to suggest that he should apply for a policy as a new customer. He says the experience left him feeling unvalued.

My provisional findings

After considering all the evidence, I issued a provisional decision on this complaint to Mr S and to Advantage on 15 July 2021. I said:

“Advantage calculated the risk it considered that Mr S presented as a policyholder when he originally took out his policy, and it charged him a premium to reflect that risk. When he moved house and changed jobs, it considered the overall risk to be higher.

We generally think it's fair for an insurer to recalculate the premium part-way through a policy if a policyholder has a significant change in their circumstances. This is known as a mid-term adjustment. But where an insurer decides to make a mid-term adjustment, we can look at whether it's calculated any change in premium fairly.

I'm satisfied that Mr S's change of address amounted to a significant change in his circumstances from an insurance point of view. Advantage recalculated the premium to reflect the change in risk. Advantage has provided records from which I'm satisfied that it regarded Mr S's new address as a significantly higher risk than the address he'd lived at when he originally took the policy out. I can't say that this was unfair.

When Mr S spoke to Advantage again a few days later, he provided details of the new job he was going to be starting, and told it he'd be keeping the motorbike in a locked garage. These factors, combined, resulted in a significant reduction in the quote.

The first quote that Advantage gave Mr S took into account his new address, but not his new job, or the fact that he'd be keeping the motorbike in a locked garage, as opposed to a driveway, where he'd previously kept it. The second quote took all three factors into account. It's apparent that between them, the new job and the way the motorbike was to be stored had the effect of reducing the quote significantly. I would expect the fact that the motorbike was going to be kept in locked storage would have led to a decrease in the quote. But I can't be sure how each factor contributed to the reduction.

We've asked Advantage for a breakdown of how it calculated Mr S's new premium. But it's explained that because he didn't go ahead with the quotes, it no longer has the underwriting data it used to generate them. I don't think that's unreasonable, given that Mr S didn't accept the quote. But without the data from the time, I can't know whether the change in job also affected the quote, and if it did, whether it made it higher or lower than it would otherwise have been. And I'm unable to say that Advantage unfairly increased Mr S's premium.

I'm satisfied that the premium refund Advantage gave Mr S was fair and in line with the terms and conditions of his policy. But it's clear that cheaper cover was available. Mr S has paid significantly less for insurance with his new insurer than Advantage quoted to carry on insuring him after his move. In situations like this, where the increase in premium results in a significantly higher cost than the consumer would have to pay to get cover elsewhere, I'd expect the insurer to waive any cancellation or administration fees and refund unused premium. So Advantage should refund the £35 cancellation fee it charged Mr S.

But I'm not satisfied that I can reasonably require Advantage to do more than that. I can't fairly hold it responsible for the fact that Mr S didn't build up any no-claims discount during the time that he was insured with it. Mr S would have been entitled, under the policy terms, to a no claims discount if he didn't make any claims during the full year that the policy was originally due to cover. But Mr S cancelled the policy before the year was complete. I can understand why he did so, but I've explained that I'm not satisfied, based on the available evidence, that Advantage acted unfairly or unreasonably when it increased his premium. So I don't find that there's anything that Advantage needs to do in respect of this part of Mr S's complaint. Ultimately, it was for Mr S to decide whether to continue with the policy with the new premium or to cancel the policy and take out a new one.

It's true that Advantage's agent set up two separate complaints to deal with Mr S's concerns. The first dealt with the additional premium that Mr S was quoted, and the second concerned Mr S's dissatisfaction with the refund and the fact that he hadn't built up any no claims discount during the part-year he was insured with Advantage. But I can see how this happened and I don't think that it was unreasonable to set up a second complaint to deal with different issues. Nor do I think it likely that it would have caused Mr S any significant inconvenience.

I don't consider that Advantage's agent was unfair in suggesting that Mr S apply for a policy as a new customer. I acknowledge that Mr S says the experience left him feeling unvalued. And I can understand his frustration at the thought that Advantage might have been willing to offer him a lower premium as a new customer, but that the clock would effectively have been re-zeroed as far as accumulating a no-claims discount was concerned. But I'm satisfied that the suggestion was made in a genuine attempt to help resolve the situation. It was for Advantage to decide the terms on which it was willing to continue to offer insurance to Mr S after his move. In the end, Mr S chose to insure elsewhere."

Further submissions

Mr S and Advantage have both commented on my provisional decision.

Mr S says, in summary:

- He still doesn't see why the cost of insurance would be significantly cheaper for a new customer, given the same risk.
- His change of job was technically a transfer. Following the move, he worked for the same company, and on the same terms as he did before he moved. His job has no bearing on motorcycling. Advantage wasn't able to record his job accurately on its systems. So if it viewed his job as carrying a risk loading, that was unfair too.
- Despite the policy terms, he still feels he should receive a pro-rata refund of the policy premium. He accepts that Advantage provided cover for the time his policy was in force. But he doesn't think it's fair that he should be charged for the period of roughly six months of the original policy term that remained after the policy was cancelled.

Advantage isn't happy with my provisional view that it should refund the cancellation fee. It's pointed out that Mr S cancelled the policy after the 14-day cooling off period. And under the policy terms, this meant that it was entitled to charge a cancellation fee of £35. It's referred to the relevant terms in the policy booklet, and says the information is also included in the welcome pack sent to policyholders. It says that nowhere in the policy terms does it state that the cancellation fee wouldn't be charged if a change of details resulted in a higher premium.

Advantage says Mr S wasn't forced to cancel the policy, and had all the information to enable him to make an informed decision. The policy terms included wording warning the policyholder that if they made changes to the policy, additional costs may be incurred.

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.

Having done so, I'm not satisfied that there's a good reason to depart from the findings I set out in my provisional decision. I'll deal with each party's comments in turn, starting with what Mr S has said.

I understand Mr S's frustration that Advantage might have been willing to offer him a better deal if he'd applied for a policy as a new customer after his move. But it is for insurance companies to decide on what terms they are willing to insure. And Advantage was entitled to offer favourable terms to new customers. This is a common practice and while I can understand that it may have made Mr S feel under-valued, I don't find that Advantage did anything wrong in this respect.

As I explained in my provisional decision, because Mr S didn't accept the quotes from Advantage after his move, it didn't keep hold of the underwriting data it based them on. And as I said, I don't think that's unreasonable. I understand Mr S's point that his job was technically a transfer. And I realise that he's dissatisfied that there was no exact match for his occupation on Advantage's systems. But without the underwriting data, I have no way of knowing how his job affected the premium he was quoted.

Advantage has explained that under the system that it applied when Mr S had his policy, cancellation refunds were worked out on a set percentage basis because it's common for motor cyclists to insure their vehicle for the warmer months and then cancel. This has the potential to leave Advantage out of pocket. The refund structure also encourages riders to continue the policy for the year and earn no claims discount. Even though Mr S may not have been a seasonal rider, I'm satisfied that Advantage's explanation of its reason for giving non-pro-rata refunds is reasonable. And I can't fairly interfere with its decision to give Mr S a limited refund, in line with the policy terms.

Turning finally to Advantage's objection to refunding the cancellation fee, I accept that the policy document set out clearly what would happen if Mr S cancelled the policy. And I accept that this included the charging of a cancellation fee of £35 and a non-pro-rata refund. I've explained that I'm satisfied that it wasn't unfair of Advantage to calculate the premium refund as it did. But in this case, the difference between the premium Advantage was proposing to charge Mr S for continuing to insure him after his move, and the premium that he was able to find elsewhere was so significant that I remain of the view that it was unfair of Advantage to deduct a cancellation charge from the refund.

Putting things right

Advantage should refund the cancellation fee of £35 to Mr S.

My final decision

My final decision is that I uphold this complaint in part. I require Advantage Insurance Company Limited to refund the cancellation fee of £35 to Mr S.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 6 September 2021.

Juliet Collins
Ombudsman