

The complaint

Mr T complains about the way MCE Insurance Company Limited (MCE) have dealt with his motorcycle insurance policy.

What happened

Mr T obtained an online quote for motorcycle insurance for himself and his partner. He had some queries about the policy so telephoned MCE. He told them that his partner had a provisional licence and had not yet taken her compulsory basic training. MCE told Mr T that this was fine. Mr T then went ahead with the policy and paid a premium of £107.

Mr T didn't receive his policy documents, so rang MCE on 13 April 2021. They had an incorrect email address for him and so the documents were re-sent. Mr T then telephoned MCE to say that there was a mistake in the policy as it said his partner had a full driving licence. MCE said that as Mr T's partner had not completed the basic training and only had a provisional licence, they would not insure her. She would not be covered under the policy.

Mr T received a cancellation letter the same day informing him that his policy would be cancelled in seven days as he had deliberately provided incorrect information.

Mr T's partner was due to undertake her basic training the following day so Mr T immediately arranged motorcycle hire so that his partner could do the training. Once she had done the training MCE agreed to add her on to the policy for an additional premium of £135.27. MCE say they told Mr T that if he didn't wish to pay this, he could cancel the policy himself. Mr T says that he felt pressurised into paying the additional premium to avoid his policy being cancelled by MCE and having this negatively recorded on his insurance history. He also said that had he known the true cost of the policy in the first place, he would not have taken it out.

Mr T complained to MCE as he felt the service he had received had been poor. He asked for a refund of his premiums and the cost of his motorcycle hire. MCE upheld his complaint and offered him £100 compensation and £40 for the motorcycle hire. They said they would not offer a full refund of the premiums as they had provided insurance and continued to indemnify Mr T. Mr T wasn't happy with this and brought his complaint to this service.

Our investigator looked into this matter and upheld Mr T's complaint. He said that MCE's offer of compensation reflected the initial mistakes when the policy was first taken out but didn't properly reflect the conflicting information provided when the policy was cancelled. He said that MCE should pay an additional £150 for distress and inconvenience.

MCE didn't accept our investigator's view and asked for the matter to be considered by an ombudsman. They said that the compensation was fair and that Mr T was not out of pocket as they had refunded the hire costs. They said that Mr T was aware of his option to cancel the policy himself as this was discussed in one of the telephone calls.

My provisional decision

I issued a provisional decision on 29 October 2021. I said:

“MCE accept that mistakes were made during their initial telephone call with Mr T. However, I don’t think their offer of compensation fairly reflects what took place.

Mr T obtained his online quote from a price comparison site. He says that he chose MCE as they came out on top for price. He was concerned, however, that the online form did not allow him to enter that his partner had a provisional licence and had not taken her basic training. He ticked the box saying ‘licence not obtained yet’ – and rang to check this was correct. He therefore took what I consider to be reasonable steps to check this information with MCE. I have listened to his call, and it is clear that Mr T explained his concerns and was reassured that his application was fine. His premium remained the same, so he proceeded to pay for the policy.

MCE were later told by Mr T of the mistakes that had been made when setting up the policy. They initially said that these mistakes were Mr T’s fault, although later accepted that Mr T had disclosed this information during his initial call with MCE. I’m satisfied that MCE’s mistakes led to the policy being set up incorrectly.

MCE then removed Mr T’s partner from the policy as they said they would never have insured her as she hadn’t completed the basic training. After she had completed the training two days later, they agreed to add her back on as a provisional driving licence holder. They then recalculated the cost of the policy and charged Mr T an additional premium of £135.27. MCE say that Mr T’s original quote was on the basis that his partner had a full UK driving licence, rather than a provisional licence. Had the correct information been provided originally the premium would have been higher by £135.27, and it was therefore reasonable for them to charge the additional premium.

I don’t think this was fair. Mr T entered into the original policy on the basis of the price quoted by MCE, and it was this that induced him to accept the policy. He says he would not have taken out the policy had he known the real cost. He provided the correct information to MCE, but they did not record it properly. This resulted in the policy being under-priced. In these circumstances, this service thinks it fair for the business to honour the original price it quoted and agreed when the consumer took the policy out. This is because the price of policies change and fluctuate constantly so it’s unlikely that a business could say what the exact price would be had the correct information be recorded at the time. I therefore think it reasonable for the additional premium of £135.27 to be refunded to Mr T.

MCE have offered to cover the cost of the motorcycle hire, and I think this is fair. MCE’s mistake meant that Mr T’s partner was not insured to ride his motorcycle at the time of her basic training. This cost Mr T £40 for motorcycle hire.

I also have to consider compensation for distress and inconvenience. I know that MCE have offered £100 compensation for the overall service that they provided, and I need to consider whether this is fair.

I’ve listened to the calls made by Mr T on 13 April 2021 and it is clear that Mr T was upset by the mistakes that had been made by MCE. I note that it took three calls to rectify his email address, and that this meant that he did not receive a copy of his policy documents for over two weeks. MCE say that the policy documents were available on their online portal and I’ve seen a screenshot showing this. However, Mr T says he wasn’t aware of this and I’ve seen nothing to suggest that he was. Had he been, I think it unlikely that he would have phoned to chase up his documents.

I note that after the calls with MCE on 13 April 2021, Mr T had less than a day to organise the motorcycle hire for his partner. I accept that Mr T will not be out of pocket but having to organise this at short notice caused inconvenience.

I've read the cancellation letter sent to Mr T on 13 April 2021. He was told that he had deliberately provided incorrect information and that his policy would be cancelled in seven days. MCE have said that this was a standard letter, but I think it would have been reasonable for the letter to include a proper explanation for the cancellation, and to explain to Mr T what his options were. I accept that Mr T found this letter distressing as it implied that he had deliberately done something wrong, which was not the case.

Mr T also says that having been told he had deliberately given false information he was reluctant to use his motorcycle during the complaint process. He says he was worried that if the complaint went against him, the policy would not be effective. I accept that Mr T was told on the telephone that his policy covered him to use his motorcycle, but I also understand Mr T's concerns. I think if MCE had properly confirmed the position in writing, this would have gone some way to reassuring Mr T that his policy was effective.

Following the cancellation letter, Mr T had further phone calls with MCE. Although I haven't been sent all these calls I've listened to calls when Mr T discussed the cancellation and additional premium. I found the information given to Mr T confusing. He was clearly upset and I think MCE should have taken the time to explain things more clearly. Mr T was initially told that he could cancel the policy himself but was later led to believe that cancellation would have a negative impact on his insurance record. Mr T was keen to avoid this so agreed to pay the additional premium of £135.27. As I've stated above, I don't think this was fair, but I also think that Mr T was caused additional distress by the confusing and conflicting information provided.

Mr T spent a lot of time on the telephone trying to sort out his policy. I've listened to five of those calls and they total over two hours. I'm aware that there were other calls too, and I'm satisfied that this must have been a considerable inconvenience for Mr T.

For the reasons stated above, I intend to require MCE to pay Mr T a total of £200 compensation for distress and inconvenience. I think this is fair. This includes the £100 that MCE have offered, so if this has already been paid, it should be deducted from the compensation payment."

Responses to my provisional decision

MCE commented that when Mr T completed his insurance application, he selected the option that his partner had a full UK licence. They said that they would not provide cover for someone who did not hold a licence.

Mr T thought that the full premium should be refunded because of MCE's poor service and the fact that he hadn't been using his motorcycle as he was unsure that his policy would be effective. He also provided a copy of a screenshot showing that he ticked the box "Licence not obtained yet", and photos of his motorcycle.

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 taken on board the additional information provided by both Mr T and MCE, but I haven't seen anything new that changes my mind.

There appears to be a disagreement between MCE and Mr T over which box he selected when referring to his partner's driving licence. However, whichever box he ticked, Mr T

telephoned MCE to explain the position and to check he had completed the application correctly. He provided the correct information regarding his partner's licence during the call, so MCE were aware of the true position.

I understand that Mr T feels strongly that he has lost out as he didn't use his new motorcycle because of his concern that his policy wasn't effective. However, as I've explained above, Mr T had the benefit of his policy whether he chose to use his motorcycle or not, and I don't think it would be fair for the full policy cost to be refunded.

My final decision and reasoning therefore remain the same as in my provisional decision.

My final decision

My final decision is that I uphold Mr T's complaint and require MCE Insurance Company Limited to:

1. refund the sum of £135.27 to Mr T, plus interest at the rate of 8% from the date Mr T made the payment to the date the sum is refunded to him;
2. pay Mr T the sum of £40 for the motorcycle hire, provided this has not already been paid, plus interest at the rate of 8% from the date Mr T made the payment to the date the sum is refunded to him; and
3. pay a total of £200 compensation, less any compensation already paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 23 December 2021.

Elizabeth Middleton
Ombudsman