

The complaint

A company who I'll refer to as L has complained that Quotemetoday.co.uk Ltd (QMT) mis-sold its motor trade insurance policy.

Mr A, a director of L, has brought the complaint on L's behalf.

What happened

Mr A bought a motor trade road risks policy through QMT to cover his valeting and detailing business. Not long after he'd taken out the policy a customer's motorbike was stolen from L's premises.

Mr A tried to claim for the theft on L's insurance policy. The insurer declined the claim as L didn't have the right type of cover. It said for customers' vehicles to be covered at the premises, Mr A would have needed to have bought stock of vehicles cover as well. And as he hadn't the claim wasn't covered.

Mr A didn't think this was fair and complained to QMT. He said he'd found out that a road risks policy wasn't right for him, as if he was to suffer a loss it would be at L's premises. He said he only drives customers' vehicles into and out of L's premises so to not be covered for them within 400 meters of L's premises was absurd.

QMT reviewed the complaint and turned it down. It said the policy had been sold correctly and said that Mr A hadn't told them he needed stock of vehicles cover or that he also valeted/detailed motorbikes, as the policy only covered him for cars. Mr A didn't agree and referred his complaint here. He said he was new to the motor trade and didn't know he needed stock of vehicles cover. He also said if he'd been told this he would have bought it and his claim therefore would have been covered.

Our investigator looked into the complaint and recommended it was upheld. She found that QMT sold the policy in an advised sale and hadn't recommended a policy which adequately matched Mr A's needs. In particular, she found the statement of fact had questions around stock of vehicles cover and whether Mr A's business involved motorbikes, but these had both been answered as no, and Mr A hadn't been asked them in the sales call. She thought that if Mr A had been asked about them, he would have been recommended stock of vehicles cover which also covered motorbikes, and therefore it's likely his claim would have been covered. Because of this she recommended QMT cover L's claim, minus any excess and additional premium he would have paid for the increased cover.

QMT didn't agree, it raised a number of points but in summary it disagreed the policy had been mis-sold. In particular it said Mr A hadn't disclosed his needs properly and even if he had motorbikes wouldn't have been covered as it wasn't normal business for him to valet/detail them. It also said the value of the bike had been inflated and that Mr A hadn't evidenced his loss and had also not properly declared the value of vehicles he works on.

I issued a provisional decision on this complaint on 6 December 2021 where I said:

“The Insurance Conduct of Business Sourcebook says that a firm should specify its customers’ demands and needs based on the information obtained from the customer and propose a policy that is consistent with those demands and needs. Where a sale is on an advised basis the firm should take reasonable steps to ensure the suitability of its advice and it also has a general duty to provide information in a way that is clear, fair and not misleading.

Mr A said his business involved valeting/detailing, and therefore he doesn’t drive customers’ cars on the road, he said he only drives them into and out of L’s premises to be worked on and stored. For this reason, he doesn’t think QMT sold him a suitable policy as it is what’s called a “road risks” policy. This type of policy would mean Mr A was insured to drive customers’ vehicles on the road. Which Mr A said he doesn’t do.

L’s policy was sold during an advised sale over the phone. As this was a commercial sale there is also a requirement on Mr A to give a fair presentation of the risk. A fair and reasonable way to do this is for him to be asked clear questions so QMT understood his demands and needs.

I’ve listened to the sales call and Mr A let QMT know he wanted a motor trade policy along with the details of his business and what he does. He also asked for “comprehensive” cover. While QMT sold Mr A a road risks policy, it didn’t explain this to him or discuss other policies he might need. QMT also hasn’t provided a demand and needs for L. During the call though QMT asked “Do you own or deal with any high-performance vehicles?”, Mr A responds and said, “there is going to be sports performance vehicles, yea”. I’ve also noted that the Statement of Fact asks, “What percentage of the business is involved with motorcycles?” and next to this it’s marked “0”. However, QMT didn’t ask Mr A whether his business also worked on motorbikes. If QMT had asked this question I think it’s likely Mr A would have said he does, because Mr A had a motorbike in to work on.

The Statement of Fact also asks whether stock of vehicles cover is needed, and this is marked as “no”. However, I haven’t heard anything in the sales call to indicate that QMT asked Mr A this question. Considering both of these questions are answered on the Statement of Fact but not mentioned in the sales call, I’m not persuaded QMT did enough to understand Mr A’s needs.

I don’t think QMT asked Mr A all the questions it should have done. However, I also don’t think it took reasonable steps to ensure the suitability of its advice. I say that because as Mr A told QMT L’s business involves valeting/detail and cleaning of customers’ vehicles I think this should have prompted QMT to either let Mr A know his customers’ vehicles wouldn’t be insured while on site, and/or recommend him a policy which did provide this level of cover. If QMT had done what it should have done, I think Mr A would have taken out a policy that covered him for the circumstances of his claim.

I’ve therefore looked at how its failure to do this this has impacted L. Mr A said L has had to pay the value of the motorbike to the owner. I understand QMT raised some questions about this and asked why the owner didn’t claim on their own policy. QMT also said the motorbike was valued at £9,650 and that Mr A paid over the odds for it. I asked Mr A to provide evidence of what he paid the owner of the motorbike and he’s shown that he paid him £10,000. So, while that is slightly higher than the figure QMT valued the motorbike at using the trade guides, I’m not persuaded Mr A has paid an unreasonable amount for the motorbike, as it’s close to the value QMT place on the motorbike. And as this is the loss L has incurred due to QMT’s error, it follows that the fair and reasonable outcome is for QMT to reimburse L that money, as it’s a cost L shouldn’t have had.

However, if Mr A had the right level of cover, he would have paid a higher premium for the

better level of cover. Therefore, it's only fair and reasonable for QMT to deduct the difference between what Mr A paid for L's policy, and what he should have paid for the right level of cover. I've seen an e-mail from QMT to Mr A to say it could provide stock of vehicle cover for £1,905, so I'm satisfied this is a fair amount to deduct from what it pays. Mr A would also have had an excess applied to the claim, so it's also only fair for QMT to deduct the excess he had on the policy he did take out, £500. By deducting £1,905 and £500 from the £10,000 Mr A paid, it means L is out of pocket by £7,595, as L has not had this money QMT should add 8% simple interest per annum to this amount, to compensate L for not having the money.

I understand QMT has questioned whether L's claim would have been successful if it had the right level of cover. But as L didn't it's unclear if an insurer would have paid the claim, as this would depend on the terms of the policy. However, I think it's likely that if Mr A had been sold the right level of cover and it had been properly explained to him, he would have known what conditions the policy had, and I think it's likely he would have complied with them. I've also considered QMT's point about Mr A's premium being higher in the following years if he had a claim on his policy, however I'm also aware many insurers don't just ask about claims, but also ask about any losses or incidents. So, I think it's also likely, depending on what his future insurers want to know, that he may still have increased premiums. So, I'm not persuaded it would be fair and reasonable to deduct that from what QMT needs to pay."

Mr A responded and said he didn't think it was fair for QMT to deduct £1,905 for the additional cover. This was because L had needed to buy another policy elsewhere which included this cover and if this policy had been correctly sold it would have still been running.

QMT also responded and didn't accept my provisional decision. It said its normal for its advisor to check a customer's website when doing a quote and L's website doesn't mention or imply it works on motorbikes. It also said that: Mr A knows the customer personally; he failed to disclose details of his other directorship during the quote; that L's website doesn't comply with the "Business Names Act"; and doesn't appear to comply with the ICO requirements or say about vehicles being left overnight. QMT also raised concerns over: evidencing the loss; whether the motorbike's owner claimed on their own insurance; the premises; and the security at the premises which it says would have caused an issue with making a successful claim. Overall it raised doubts about L and its ability to make a successful claim.

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 considered both responses and I've not been persuaded to depart from my provisional decision.

I will address L's comments first. I've considered the deduction for the additional cover for stock of vehicles and that it has also had to buy another policy to cover part of the same time period as this one. However, I'm also aware L had a pro-rata refund of this policy when it was cancelled so has benefited from that. So, while L has bought another policy it's possible it would have also had to pay more than the quote to cover stock of vehicles for a motorbike. And as L has already received a pro-rata refund for the cancelled policy, I'm not persuaded it would produce a fair and reasonable outcome if QMT isn't allowed to deduct the amount it quoted for stock of vehicles cover for L.

I'll now turn to QMT's comments. Mr A has said he only knows the customer who had their motorbike stolen through his dealings with L. I'm also not persuaded that if he knew them

personally that would prevent a valid insurance claim for a stolen vehicle. My provisional decision also covered about L's business working on motorbikes and Mr A's other directorship, so I see no reason to repeat that. Furthermore, my role here isn't to assess L's website and whether it complies with ICO requirements, so I see no reason to comment on that further either.

Mr A has also provided evidence of L's loss by paying its customer for the stolen motorbike and the legal agreement between them to say L's customer hasn't claimed on their insurance. I haven't seen anything from QMT to indicate that L's customer did claim on their policy. So, I'm not persuaded they have benefited twice. Overall, when considering all of QMT's points, I've not seen enough to persuade me it sold the policy correctly and that it's not fair and reasonable to compensate L for its loss because of this.

My final decision

For the reasons explained above, and in my provisional decision, my final decision is that I uphold this complaint. I require Quotemetoday.co.uk Ltd to pay L £7,595 plus 8% simple interest per annum, calculated from the date L made payment to the motorbike's owner, to the date Quotemetoday.co.uk Ltd makes payment.

Under the rules of the Financial Ombudsman Service, I'm required to ask L to accept or reject my decision before 22 February 2022.

Alex Newman
Ombudsman