

## **The complaint**

Mr P complains that Extracover Limited reduced his No Claims Discount (NCD) to zero years following a non-fault claim made on his commercial motor insurance policy. He's also unhappy with its level of service. He wants a refund of his extra costs and compensation for his trouble and upset.

## **What happened**

Mr P took out a policy through Extracover, a broker. He had 10 years NCD when the policy started. When Mr P was involved in an incident with another driver, Extracover reduced his NCD to zero. It said this was in keeping with the policy's terms and conditions. Mr P then had to pay a much higher premium with interest for his new cover with another insurer. He was unhappy with this and with the level of service he received from Extracover.

Our Investigator recommended that the complaint should be upheld. The claim was later closed as non-fault and Extracover provided Mr P with a certificate reinstating his NCD to 11 years. Mr P's new insurer recalculated his premium and refunded the extra premium and some interest he'd paid. But she thought Extracover should review this with the insurer and provide any further refund with interest added.

She thought Extracover should have brought the unusual policy term about NCD reduction to Mr P's attention when he bought the policy. And she thought its level of service had caused Mr P trouble and upset. So she thought Extracover should pay Mr P £250 compensation.

Extracover replied that the policy term was included in the policy booklet. Mr P replied that he thought the compensation should be £1,000, including the refund of interest he'd paid on his additional premium. Mr P asked for an Ombudsman's review, so his complaint has come to me for 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.

Mr P has explained that paying the extra premium and interest presented him with significant financial pressures and this affected his health. I was sorry to hear this. I can see that Mr P has raised a complaint about the handling of his claim and delays against the insurer. As this is a separate business, I will only consider here his complaints against Extracover.

The terms and conditions for NCD are set out on pages 17 and 18 of Mr P's policy booklet. They state, amongst other things, that without NCD protection, any fault or open claim reduces the NCD to nil no matter what the starting point. So I can't say Extracover made an error when it reduced Mr P's NCD to zero years because of the open claim.

But most policies I've seen have a NCD step-back of two years following a fault or open claim. So I think this policy term is unusual and it is significant, and I would expect it to be set out in the policy wording and in the summary or Insurance Product Information Document (IPID) document. But I can't see that it is.

The insurer is responsible for the policy's terms and conditions. But Extracover, the broker, is responsible for the sale of the policy and must provide "clear, fair and not misleading information" to policyholders.

Extracover said that the term was in the policy booklet provided to Mr P at the point of sale. But I'm not satisfied that this was sufficient. Extracover didn't bring this policy term to Mr P's attention at the point of sale, as I think it should have done. I think that if it had then he would have looked for alternative cover.

When a business makes a mistake, as I think Extracover has done here, we expect it to restore the consumer's position, as far as it's able to do so. And we also consider the impact the error had on the consumer.

The claim has now been closed as non-fault and Extracover has sent Mr P a letter reinstating his NCD to 11 years. Mr P thought it had delayed doing this. But I don't agree. I can see that it sent the letter promptly after the insurer had told it that it had recovered its outlay. This meant the claim could be closed as non-fault. And this then restored the NCD.

Mr P passed this to his new insurer. He had earlier told it about the reduction of NCD to 0 years. And it had increased his premium that had been calculated with 9 years NCD (based on what Mr P thought the step back would be). Mr P also paid extra interest on his increased premium. His finance provider refunded the extra premium. But Mr P thinks the full amount of extra interest wasn't fully refunded.

Our Investigator thought Extracover should work with Mr P's finance provider to understand what additional interest charges he paid weren't refunded to him. And it should refund this amount to Mr P, adding interest as he has been without his money for some time. I think this would fairly and reasonably restore Mr P's position.

Mr P was also unhappy with the level of service provided by Extracover. And I agree its level of service has been wanting:

- I think Extracover caused Mr P significant distress by not giving him sufficient information about the policy's NCD step back so that he could make an informed choice.
- Extracover's communication with Mr P about its claims administration caused him confusion, and it didn't answer calls he made during office hours, causing him frustration and inconvenience.
- Extracover gave Mr P incorrect advice about using his previous NCD certificate to obtain new quotes, and this caused him upset when he found that this was incorrect.

Our Investigator thought Extracover should pay Mr P £250 compensation for the trouble and upset caused by not highlighting the NCD step back policy term when he bought the policy and for its service failings. I think that's fair and reasonable as it's in keeping with our published guidance where several errors have caused trouble and upset over some weeks.

### **Putting things right**

I require Extracover Limited to do the following:

1. Work with Mr P's finance provider to understand the additional interest he paid because of the increase in his premium, which hasn't already been refunded. It should refund any further amount adding interest at the rate of 8% simple per annum from the date Mr P paid it to the date of settlement.
2. Pay Mr P £250 compensation for the distress and inconvenience caused by its level of service.

†If Extracover considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr P how much it's taken off. It should also give Mr P a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

### **My final decision**

For the reasons given above, my final decision is that I uphold this complaint. I require Extracover Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 13 May 2024.

Phillip Berechree  
**Ombudsman**