

The complaint

Mr M complains he incurred an increase in insurance premium as a result of having to take out a new policy due to Covea Insurance plc (Covea) avoiding his insurance.

What happened

The background to this complaint is known to both parties and so I won't repeat it at length here.

Mr M took out a motor insurance policy underwritten by Covea. Mr M made a claim under the policy following an incident involving his vehicle. Covea declined the claim and avoided Mr M's policy for misrepresentation - Covea said Mr M hadn't told them that his car had modifications.

Due to Covea's policy avoidance, Mr M took out a new insurance policy with another insurer. He also had to tell the new insurer that his policy with Covea had been avoided. Mr M complains that cost of the new policy is higher than what he paid Covea. He feels that the increase is due to Covea avoiding his policy.

Covea later overturned their decision to avoid Mr M's policy and also settled his claim. Mr M said that as a result of the claim settlement, he incurred an additional increase in premium of £80 with his new insurer.

Mr M remained dissatisfied that he had to take a new insurance policy which resulted in paying a higher premium. He also complained about the distress and inconvenience this matter caused him and the increase in premium following the claim settlement.

Our investigator recommended that Mr M's complaint should be upheld. He explained that but for Covea's policy avoidance, Mr M wouldn't have taken out a new policy. He was satisfied that it was because of Covea's incorrect avoidance that Mr M incurred an increased premium. He recommended Covea should pay the difference in the premium as a result of the increase. He also said that Covea should increase its award for distress and inconvenience to £150. He did however say Covea didn't need to reimburse Mr M for the increase in premium as a result of the claim settlement as this would have likely happened in any event.

Covea disagreed with our investigator, so the case was passed to me to consider.

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 think Covea needs to do more to put things right. I will explain why.

Covea accepts that they shouldn't have avoided Mr M's policy and have overturned their decision and dealt with Mr M's claim, I therefore don't need to make a finding on this. My decision therefore focuses on what would have happened had Covea not avoided Mr M's

policy and how to put Mr M back in the position he should have been in but for Covea's incorrect avoidance.

As a result of Covea avoiding Mr M's policy, he had to take an insurance policy with a new insurer. The policy with Covea cost Mr M £235.76 and the new policy cost him £385. Mr M says that the increase was due to him telling his new insurer that his previous policy was avoided. Covea said the increase could be due to a number of factors.

I don't think Covea is wrong in saying that the increase could be in relation to a number of reasons, but I also need to think about whether Mr M would have incurred this increase in premium if Covea hadn't incorrectly avoided his policy and I don't think he would have. I therefore agree with the investigator that Covea needs to put Mr M back in the position he would have been in had the policy not been avoided and as such it should refund the £149.24 premium difference.

Mr M has also said that as a result of informing his new insurer the claim was settled, he incurred a further increase in premium of £80. I agree with the investigator that irrespective of whether Mr M took out a new policy or remained with Covea, the premium most likely would have increased following the claim. It's often the case that the claim itself – regardless of who's at fault – will affect the premium. While some insurers will only rate on no claim discount disallowed or "fault" claims, others will consider any claim – or even just a claim notification – as a "risk factor". This is because insurers say that drivers who have been involved in accidents, regardless of fault, are more likely to be involved in future claims. I therefore don't think Covea needs to do anything further in relation to the premium increase following the claim settlement.

Covea offered Mr M £50 compensation for the distress and inconvenience caused by this matter. I agree with the investigator that the amount offered isn't sufficient in the circumstances and so the compensation should be increased to £150.

Overall, I'm satisfied that if Covea hadn't avoided Mr M's policy, he wouldn't have needed to take out a new policy and incurred the additional premium. Covea therefore needs to put Mr M back in the position he would have been in but for their error.

My final decision

For the reasons explained above, my final decision is that I uphold this complaint. I require Covea Insurance plc to:

- Pay Mr M £149.24 for the increase in premium
- Increase their offer of compensation for distress and inconvenience from £50 to £150

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 11 January 2024.

Ankita Patel
Ombudsman