

The complaint

Mr R complains about the premium increase that First Central Insurance Management Limited quoted him when he wanted to change his car on his motor insurance policy and about the application of a cancellation fee. He wants £500 compensation for his time spent on this.

What happened

Mr R changed his car and he contacted First Central to change the car on his policy. He was unhappy with the increased premium he was quoted. So he cancelled his policy and First Central applied a cancellation fee. Mr R was unhappy with this and that he could have bought a new policy for his new car for less than First Central's quote.

Our Investigator didn't recommend that the complaint should be upheld. She thought First Central was entitled to apply a premium increase when the car changed as this was in keeping with its underwriting criteria and the change in risk. She thought First Central had acted within its terms of business in applying the cancellation fee. So she thought it hadn't done anything wrong.

Mr R replied asking for an Ombudsman's review, so his complaint has come to me for a final decision. He thought it was unfair that the mid-term change cost was nearly double the new business price.

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 can understand that Mr R felt disappointed and frustrated with the increased premium he was quoted when he wanted to change his car. So I've checked whether this was fair and reasonable.

We think that when the customer already has a contract of insurance based on the pricing model from an earlier date (start of the policy or renewal) then when there is a mid-term change made the only elements of the calculation which should change should be those affecting the changed circumstances.

Unfortunately, First Central didn't retain the mid-term quote on Mr R's file as he cancelled his policy. So I can't check this. But I can see that Mr R's new car was more recent and of higher value than his old car. And I've looked at the webchat Mr R had at the time and the only new information provided was the car's details.

So I can't say the mid-term adjustment quote was incorrect as it was based just on changes to the risks that Mr R presented to First Central.

So I'm satisfied First Central acted fairly when calculating the price for the mid-term adjustment, and it was fair for it to ask Mr R to pay this. We think that where the customer thinks they can source the same cover for less from another provider then they should have the option to cancel the policy. And if this means a cancellation fee is due, it's fair to pay this.

And I can see that Mr R took the option of shopping around for cover elsewhere. I'll consider the cancellation fee further below.

A month after cancelling his policy, Mr R looked for a quote for his new car online and he found that First Central would offer cover for his new car for less than the total of his previous premium for six months and the quote for the mid-term adjustment.

First Central checked this and found that Mr R had given different information about his details when he asked for a new quote than he had provided earlier. Premium prices can change daily and there was a month between the quotes so I wouldn't expect the same rates to be quoted. I can see that there were differences in the licence dates provided, the annual mileage, the purchase date and the class of usage. Looking at the quote Mr R obtained, there was also a significant increase in the amount of voluntary excess he said he would pay.

So I can't say that Mr R is comparing like for like. I think he input different information when he looked for a new quote online to what he had provided previously. This would have changed the risks and hence the quotes he was provided were different. So I can't say that First Central has done anything wrong.

Mr R was also unhappy that First Central applied a cancellation fee when he cancelled his policy. He said this shouldn't be applied as he had disposed of the car and no insurable interest remained. But I disagree with him. This is because Mr R's policy is an annual contract, even though he pays for it monthly. And in taking out the contract, Mr R agreed to the policy's terms.

First Central is entitled to apply cancellation fees is keeping with its terms and to collect charges for time on cover on behalf of the insurer. I can see that the cancellation fees are clearly set out in Mr R's policy documents. And I think they are in keeping with other cancellation charges I've seen. So I think they are fair and reasonable and First Central is entitled to apply them.

Mr R was unhappy that First Central hadn't provided him with information when it responded to his complaint. But this is a new complaint point, and, as our Investigator explained, Mr R would need to raise this with First Central first to give it a chance to respond before we can consider it.

My final decision

For the reasons given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 16 November 2023.

Phillip Berechree
Ombudsman