

White Lies To Save Money On Insurance Could Be ‘Costly’

British drivers may not be setting aside enough funds for adequate insurance....

July 21, 2007 (FPRC) -- Last week, a study indicated that a significant number of British drivers may not be using money from their car loans to purchase an adequate motor insurance policy.

According to research carried out by uSwitch.com, some 2.5 million motorists have invalid cover as a result of providing inaccurate details on their application form. Meanwhile, a further six per cent of vehicles are said to be without insurance completely. It was also reported that some ten per cent of all drivers have intentionally lied on areas such as their age and address in addition to failing to divulge information such as any previous convictions in an attempt to save money on their insurance.

Consequently, Aron Thompson, head of insurance for the price comparison website, suggested that providing such incorrect information could have a negative impact upon policyholders' finances in the long-run. He said: "With many consumers seeing car insurance as a grudge purchase, it's no great surprise to see people either withhold or knowingly provide inaccurate, crucial information in order to get cheaper cover. To the consumer, this may seem like a little white lie to save money.

"In reality, it could end up teaching the driver a costly lesson, on average £1,636, as the provider is under no obligation to settle a claim based on a policy which is inaccurate. However, our research has also shown that it is not always an intentional ploy to save money as many people simply do not understand the questions asked or the implications of their answers during the application process," Mr Thompson added.

The insurance expert went on to claim that consumers are "obligated" to give insurance companies their full details when applying for cover and to make providers aware of any change to their circumstances. He commented: "If you are looking for car insurance, check, check and double check that you are submitting the correct details to your insurance provider. Regardless of the saving, it isn't worth the risk."

Meanwhile, recent figures released by Experian have indicated that those drivers who do purchase insurance could be spending a record amount of cash on getting cover. According to the company, the average quote for comprehensive insurance in the direct sector rose by some 7.9 per cent during May to £560 - during the same month last year this cost £519. In the 11 months leading up to May 2007, comprehensive insurance in the intermediary market increased to £529 although this was down by 0.6 per cent from the figure recorded during the same month in 2006.

Third party, fire and theft (TPFT) motor insurance costs, on the other hand, were said to have risen at a rate "significantly higher" than comprehensive cover which could further impact upon drivers' day-to-day finances. In the intermediary sector, TPFT costs were said to have reached £617 - their highest point in nearly two years. The growth in price for this cover was attributed to their association with "younger drivers with low or no voluntary excesses".

Earlier this year, Robin Amlot, senior editor for Moneyextra, advised that those buying a car should take out cheap personal loans to fund their purchase rather than an uncompetitive showroom

finance deal. However, Mr Amlot suggested that many consumers opt for a hire purchase (HP) agreement out of convenience even though they tend to attract a higher amount of interest. "Drivers should not let the smell of a new leather interior lure them into poor financial decisions at the last hurdle," he commented.

The editor also pointed out that, unlike HP deals, personal loan borrowing does not contain any arrangement fees. He suggested that as a result of opting for this method of credit consumers could find themselves with more bargaining power when looking to buy a car.

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