

The complaint

Mr M complains that Premium Credit Limited cancelled his finance agreement for his motor insurance policy. He wants it to reinstate it as he can't afford to pay the annual premium upfront.

What happened

Mr M renewed his policy and the broker sent him his policy documents and details of his finance agreement with Premium Credit. But Mr M found a week later that the finance agreement had been cancelled without his knowledge.

Our investigator didn't recommend that the complaint should be upheld. He explained that Premium Credit carries out its credit checks once the arrangement has been sent to it. He saw that Mr M hadn't passed its credit checks and it had written to him to tell him to contact his broker to make other arrangements. He thought it was for Mr M to do this.

Mr M replied that it had taken three days for Premium Credit to carry out the credit check and he'd received his policy confirmation in the meantime. He asked for his complaint to be reviewed by an ombudsman, so it's 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.

I can understand that Mr M feels frustrated that his application for finance was declined after he thought it was set up. He's explained that he needs to drive for work, and he can't afford to pay the premium upfront. I can understand that this must be stressful for him.

Premium Credit told Mr M that it was obliged to make credit checks when providing finance. I think that as a responsible lender its obliged to do this. It said that in its Terms of Business under "C3, Restrictions on further credit", it explains that it will cancel the credit agreement if it finds creditworthiness to be unsatisfactory. I've checked these Terms and I think this is clearly explained.

Premium Credit told us that it carried out credit checks after the arrangement was passed to it by the broker. This process is its commercial decision, so this isn't something I can comment on.

Premium Credit received Mr M's details and it carried out a credit check two days later. It said Mr M didn't pass the check. So it said it wrote to Mr M at the address provided by the broker to tell him this. Mr M said he didn't receive this letter. But I can't hold Premium Credit responsible for this as I can see the letter was sent.

I've noticed that Mr M called the broker a few days later to tell it of a change of address. He hasn't told us exactly when he moved or what arrangements were made for forwarding his

post. I can see that Premium Credit sent its letter to the address provided by the broker which is different to where Mr M now lives. This may explain why he didn't receive the letter.

I can see that Mr M was misinformed on two occasions by agents about who Premium Credit informed if the credit check failed. I can understand that this must have been frustrating. But I can't see that this caused Mr M any loss as its letter told him to contact his broker and the broker had access to Premium Credit's records.

So I think Premium Credit as a responsible lender carried out its credit check in a timely manner. Mr M didn't pass its check for creditworthiness. So I think it wrote to him cancelling the finance agreement, as it was entitled to do under its Terms of Business. I think it was then up to Mr M to make other arrangements for paying for his policy. I can't reasonably hold Premium Credit responsible for Mr M's finances. So I can't say that Premium Credit did anything wrong or needs to compensate Mr M for not honouring the agreement.

Mr M has subsequently told us that the broker told him that Premium Credit cancelled the agreement in error. But he hasn't sent in any evidence of this for me to consider.

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 M to accept or reject my decision before 28 November 2020.

Phillip Berechree
Ombudsman