

The complaint

Mr H complains that Soteria Insurance Limited unfairly cancelled his motor insurance policy. Mr H is represented in this matter by his father, a named driver on his policy.

What happened

Soteria contacted Mr H to ask him about an incident that had been notified by another driver. Mr H described an incident which was different to that reported. Soteria obtained dashcam footage that showed that Mr H had been involved in the notified incident. It thought Mr H had made a false statement by denying involvement and it cancelled his policy. Mr H then had difficulty obtaining cover elsewhere and this was much more expensive for him.

Our investigator recommended that the complaint should be upheld. She thought Mr H had made an honest mistake. This was because he'd been involved in two incidents on the same day. The first one, which the other driver later notified to Soteria, was minor, at low speed and the drivers didn't stop at the time. The second incident was more serious and caused damage to both cars. So she thought Mr H had forgotten about the first incident and initially denied involvement.

So the investigator thought Soteria had unfairly cancelled Mr H's policy. She thought it should remove records of the cancellation and its ban on Mr H and provide him with a letter saying that the cancellation was removed. She thought it should pay Mr H the difference between his new policy premium and the cheapest quote he had without the cancellation, with interest. And she thought it should pay Mr H £150 compensation for the trouble and upset caused.

Soteria replied it thought the dashcam footage showed that Mr H was well aware of the incident and so he should have reported it and the second incident on the same day. It said it had cancelled the policy on the basis that Mr H was a "moral hazard" because he'd lied about involvement in the first incident. It said the cancellation wasn't recorded on external databases and it had a right to refuse to offer Mr H cover in the future. It thought the increase in Mr H's premium was due to two claims in one year, not the cancellation.

Mr H replied that he wasn't aware that he'd touched the rear of the other car until he saw the dashcam footage.

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.

Our approach in cases like this is to consider whether the insurer's acted in line with the terms and conditions of the policy and fairly and reasonably.

In its response to Mr H's complaint, Soteria told him that under the policy terms and conditions he had a duty to cooperate with claims investigations. I think this is standard industry practice and I can see, on page 23 of the policy booklet under "Cancellation" that failure to cooperate is a reason why Soteria may cancel the policy.

Soteria also said it was entitled to cancel his policy if Mr H “carelessly, recklessly or deliberately make a false statement”. But I think this is in relation to providing a false statement when taking out the policy. And I can see that Soteria hasn’t accused Mr H of fraudulent behaviour. So I don’t think this term can be reasonably applied.

Soteria also said Mr H had been dishonest in denying involvement in the first incident. And so it said it cancelled the policy due to Mr H being a “moral hazard”. I can’t see where in the policy it defines this term. I think it commonly means that someone acted differently than he would have without the protection of his insurance. And I can’t see that this applies to Mr H’s circumstances.

But I think Soteria could rely on Mr H’s denial of involvement in the incident as being a failure to cooperate in a claim investigation and so cancel the policy. So I’ve looked to see whether this was fair and reasonable in Mr H’s particular circumstances.

I’ve listened to the call where Soteria said Mr H was dishonest. This was just five days after the incidents. Mr H readily admitted he’d been in an incident that day and told Soteria that he’d been hit in the rear, but he wasn’t making a claim for repairs. He said the other driver’s insurer would be dealing with the repairs. Soteria agreed that it would note the claim as “for information only” and his No Claims Discount (NCD) would be allowed.

Soteria then described the earlier incident where the driver said Mr H had hit their car in the rear. Mr H sounded nonplussed by this description. Soteria told him that dashcam footage was available from the other driver. Mr H said he hadn’t been involved in any other incidents on that day.

Mr H’s father then took over the conversation. Mr H’s father suggested that the second incident may be due to a cloned number plate or a mistake. Unfortunately, Soteria didn’t ask Mr H any further direct questions that may have prompted his memory. I can’t see that Soteria again spoke to Mr H directly about the incident.

In the first call, Soteria told Mr H several times that it would be obtaining the dashcam footage. But Mr H didn’t raise any concerns about this. Soteria couldn’t describe the other car or the location, which may have triggered Mr H’s recall of the incident. Soteria also told Mr H that the other insurer may have provided an incorrect registration and that this was a regular occurrence.

Soteria then obtained the footage. It said the dashcam footage clearly showed Mr H colliding with the rear of another car at low speed whilst distracted. It said Mr H and his passenger looked surprised after the impact. The other driver then drove away, and no details were exchanged.

Mr H still denied any involvement and volunteered photographs and a video of his car to show that it was undamaged. It was only when the dashcam footage was provided to Mr H that he recalled the incident.

So I think Mr H clearly denied involvement in the first incident. But I think that, on balance, this was a genuine mistake. This is because:

- There were two incidents on the same day. Soteria asked Mr H for his recollection and he told it about the second incident that had led to damage to his car. When the first incident was described, Mr H didn’t express any strength of feeling. From the call recording, I think Mr H simply didn’t recollect the incident.
- Mr H was forthcoming about the second incident. And I think that if he’d been prompted by details of the other car or the location, or been asked further direct questions, he would have been more likely to have recalled the first incident.
- The incident was a minor impact at low speed and the other driver didn’t stop to exchange details. Mr H said he didn’t think the cars had touched. There was evidently no damage to Mr H’s car and so he may well have thought that the incident

wouldn't lead to a claim.

- Mr H didn't express any concern when told that dashcam footage of the incident would be obtained. I think if he had recalled the incident at the time, then this would have prompted him to tell Soteria about it rather than be found out later.

So I don't think it was fair or reasonable for Soteria to cancel Mr H's policy because he'd denied being involved in the first incident.

Soteria later said Mr H should have reported both incidents on the same day they occurred. But this isn't stated in the policy. It says that consumers should report any incident "as soon as reasonably possible" and "quickly".

So I think Mr H should have reported both incidents to Soteria within a reasonable time. This is stated several times in his policy documents, and I think it's fair and reasonable as it will help Soteria to mitigate any losses.

But Mr H didn't do this. He didn't think the first incident was relevant as he didn't think there had been contact between the cars and no damage had been caused to his car. I think this was an oversight on his part.

Mr H said he was waiting for the other insurer to accept liability for the second incident before he reported it. This didn't cause Soteria any losses as the other insurer covered the costs of the claim. So I think Mr H's failure to report the incidents quickly to Soteria isn't a sufficient reason for it to cancel his policy.

I think the unfair cancellation by Soteria led to Mr H paying an increased premium for his new policy and its subsequent replacement. For the 2020 policy, Mr H has provided evidence of what the cheapest policy would cost without the cancellation, but with two claims, one fault and one non-fault. And he's provided us with evidence of the cheapest policies he found with the cancellation and the claims added.

Due to the nature of this company, rerating the policy without the cancellation makes no difference to the premium. So I think Soteria should reasonably pay Mr H the difference between these two quotes, £3,602.78, less the refund of premium it's already provided, £535.87. And, as Mr H has been without his money for some time, I think Soteria should add interest to that amount.

Mr H also had to declare the cancellation at his renewal in February 2021. Again, I've seen evidence from the new insurer that rerating the policy without the cancellation marker makes no difference to the premium.

So I've looked at what Mr H would have paid just with the two claims, and a year's NCD and compared this to the cheapest policy he found. The difference in prices was about £1,200, or £100 a month. So to restore Mr H's position, I think Soteria should reasonably add £200 to its payment to him for his two months cover. Mr H can then choose to continue with this policy or cancel it and find cheaper cover elsewhere at the risk of losing some months' NCD.

Soteria said that the cancellation wasn't recorded on any external databases. But I think Soteria should remove records of the cancellation from any internal databases and provide Mr H with a letter stating that the cancellation has been removed.

Our investigator thought Soteria should remove its ban on providing Mr H with cover in the future. But I think it's Soteria's commercial decision whether or not to offer cover. And so this isn't something I can require. We've explained this to Mr H.

Our investigator also recommended that Soteria should pay Mr H £150 compensation for the trouble and upset caused by its unfair decision. I can see that the cancellation has caused Mr H significant distress and worry. So I think £150 compensation is fair and reasonable as it's what I'd require in similar circumstances.

Putting things right

To put things right for Mr H, I require Soteria Insurance Limited to do the following:

1. Remove records of the cancellation from any internal databases where it's been recorded
2. Provide Mr H with a letter stating that the cancellation marker has been removed and he needn't disclose this to future insurers.
3. Pay Mr H £3,066.91, for his additional insurance costs in 2020, adding interest to this amount at 8% simple per year from the date of cancellation to the date of payment †, and a further £200 for his additional costs in 2021.
4. Pay Mr H £150 compensation for the distress and inconvenience caused by the unfair cancellation of his policy.

† HM Revenue & Customs requires Soteria to take off tax from this interest. Soteria must give Mr H a certificate showing how much tax it's taken off if he asks for one.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 14 May 2021.

Phillip Berechree
Ombudsman