

The complaint

Mr M complains that Haven Insurance Company Limited cancelled his motor insurance policy and retained his premiums.

What happened

Mr M took out a policy with Haven. Some months later, Haven found that the ownership of Mr M's car had changed. So, as it thought Mr M no longer had any insurable interest in the car, it cancelled the policy. Haven thought Mr M had deliberately tried to mislead it about the car's ownership and that he had been reckless in not querying with DVLA communications about the car's ownership. So Haven thought it was entitled to retain the premiums.

Our investigator recommended that the complaint should be upheld in part. He thought it was reasonable for Haven to cancel the policy as the evidence was that the car's ownership had changed. But he didn't think Haven had shown that Mr M had acted deliberately or recklessly. No claim had been made. So he thought Haven should refund the premiums from the date ownership of the car changed.

Haven replied that it wanted an ombudsman's review, so the complaint has 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.

Haven told us that it had cancelled Mr M's policy because he had misrepresented that he was the car's owner and keeper. In that case I think the relevant law would be The Consumer Insurance (Disclosure and Misrepresentation) Act 2012 (CIDRA). This requires consumers to take reasonable care not to make a misrepresentation when taking out a consumer insurance contract (a policy). The standard of care is that of a reasonable consumer.

But I can see that when Mr M took out his policy in February 2020 he was the car's owner and registered keeper. So I think Mr M took reasonable care to answer Haven's question about that correctly at the time. And so I don't think he made a misrepresentation under CIDRA and the remedies available to Haven under CIDRA won't apply.

So I've considered whether Haven's acted in line with the terms and conditions of the policy and fairly and reasonably in cancelling Mr M's policy and retaining his premiums.

Mr M provided Haven with his V5 vehicle registration document showing that he registered his car in July 2019. But the police said the ownership had transferred to another person in May 2020. This was confirmed by the Motor Insurance Database (MID).

This was brought to Haven's attention in November 2020 and it immediately cancelled the policy. It said the reason was that Mr M didn't have an insurable interest in the car. Mr M provided a V5 to Haven, but it didn't accept this as proof of ownership and so it maintained its position. The MID showed another change of ownership in December 2020.

Mr M has maintained that he owned the car, and that he'd never heard of the person whose name was on MID as the car's owner and keeper.

But I can see that on the V5 document, there were five previous owners whilst by December 2020 MID showed there had been seven. This suggests two transfers of ownership had taken place. Mr M would also have been sent a change of ownership slip by the DVLA. So, if he thought he still owned the car, I think he would have raised this concern with the DVLA at the time.

I can see that Mr M's duties under his policy are set out in the General Conditions on page 29 of the policy booklet. These include:

6. You notify Your Broker as soon as possible of any changes to the information provided in the proposal form or statement of fact and declaration and at each Renewal Examples of material changes include:

...

i. Changes to the information provided in the proposal form or statement of fact may result in amendments to Your cover or premium, for example:...

iv. If You request a change which falls outside of the policy acceptance criteria, We may cancel Your policy in accordance with the terms set out in Section N – Cancelling Your policy.

I think Haven reasonably considered that a change in the car's ownership made its continued cover unacceptable. And so I think it fairly and reasonably cancelled the policy with immediate effect to protect itself and Mr M from further risk.

Haven retained the premiums Mr M had paid. It said it did this rather than refund them from the date of the change of ownership, as recommended by our investigator, because:

- Mr M may have been charged by the police for driving whilst uninured. But this hasn't arisen in the six months since the cancellation, so I don't think this is a sufficient reason.
- It thought Mr M had deliberately and recklessly tried to deceive it about the car's ownership following the cancellation. But I think this is a remedy under CIDRA and, as I've explained above, I don't think CIDRA applies in this particular case.
- It thought that it would have been liable if another party had made a claim against Mr M. But I think this is hypothetical and no claim was made against Mr M. And, in any case, Mr M would have been responsible for any claim.

I can't see that Haven is entitled by the policy terms and conditions under Cancellation to retain the premiums when no claim has been made. And so I think Haven should fairly refund Mr M's premiums from the date of the change of ownership in May 2020 until the policy was cancelled.

Putting things right

I require Haven Insurance Company Limited to refund Mr M's premiums from the date of the change of ownership in May 2020 to the date of cancellation in November 2020.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 June 2021.

Phillip Berechree
Ombudsman