

## The complaint

Mr C has complained that UK Insurance Limited, trading as Direct Line (UKI), failed to contact him appropriately before unfairly cancelling his commercial motor insurance policy without reasonable notice.

## What happened

I issued a provisional decision on this complaint in June 2021 explaining that I was intending to uphold it. Here's what I said in my provisional decision:

### ***“What happened***

*Mr C bought a commercial motor insurance policy, for his van, with UKI in October 2020.*

*UKI cancelled Mr C's policy in December 2020 because it hadn't been provided with proof of Mr C's stated no claims discount (NCD).*

*Mr C says that he wasn't aware he needed to provide this information. He says UKI had his phone number and email address and yet didn't chase him to provide the information before cancelling his policy. He says that UKI's actions have caused him to incur an administration fee, lost earnings and higher premiums when taking out a new policy elsewhere. He would like these amounts to be reimbursed and for UKI to remove the policy cancellation record from the relevant databases.*

*UKI says that Mr C set his contact preferences as post when he took out the policy online and that it sent several letters to Mr C requesting the information it needed before it cancelled his policy. Based on this, UKI says it has followed its correct process and so doesn't agree that it has treated Mr C unfairly.*

*Mr C says he didn't receive the letters sent before his policy was cancelled. He says he told UKI his contact preference was email and that it would have been reasonable for UKI to have attempted to contact him by other methods before cancelling his policy.*

*One of our investigators considered Mr C's complaint, but she didn't think it should be upheld. She said UKI had evidenced that it had sent the letters to Mr C's correct address, so she couldn't hold it responsible if they weren't received. She felt that by writing to Mr C's correct address UKI had made reasonable attempts to obtain the information before it cancelled his policy. She also felt the administration fee for cancellation was clearly stated in the schedule.*

*Mr C didn't accept our investigator's opinion. So, because no agreement has been reached, the complaint has been passed to me to decide.*

### ***What I've provisionally 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.*

*Having done so, I'm intending to reach a different conclusion to that reached by our investigator. I say this because, having considered the system notes of the correspondence sent by UKI, and copies of that correspondence, I don't agree that UKI followed its correct process before cancelling Mr C's policy. I'll explain why in more detail below.*

*UKI has provided a copy of Mr C's policy booklet. On page 24 under the heading, "cancellation by us" it states:*

*"We have the right to cancel your policy at any time by giving you at least 7 days' notice in writing where there is a valid reason for doing so. This also applies in any situation where we have agreed to provide cover even if this has not yet started.*

*We will send our cancellation letter to the latest address we have for you. Valid reasons may include but are not limited to:*

- where you are required in accordance with the terms of this policy, to co-operate with us, or send us information or documentation and you fail to do so in a way that substantially affects our ability to process your claim, or deal with your policy;*
- where there are changes to your circumstances which mean you no longer meet our criteria for providing motor insurance;*
- where you have used threatening or abusive behaviour or language or you have intimidated or bullied our staff or suppliers;*
- where we reasonably suspect fraud.*

*If we cancel your policy we will return the premium paid less the amount for the period the policy has been in force.*

*.....*

*If your policy is cancelled in accordance with this section, any applicable administration fee for the cancellation will also be deducted from any payment due to you."*

*UKI has provided system notes to show that Mr C's contact preferences are set to post. It has also provided evidence that Mr C's welcome letter, sent to him on 13 October 2020, stated that he needed to provide proof of his stated NCD within 21 days. UKI has sent a copy of the chaser letter it sent to Mr C on 4 November 2020 giving a further 14 days for the information to be provided. And UKI has provided a copy of the cancellation confirmation letter it sent to Mr C on 9 December 2020.*

*I've reviewed the above correspondence and the accompanying system notes sent by UKI. I can see that Mr C was asked to provide his no claims information within a set deadline, and that he was chased for the information and given a new deadline. However, I can't see that Mr C was given seven days' notice of UKI's intention to cancel his policy, before it was cancelled. And, in my view, the terms and conditions are clear that UKI only has the right to cancel Mr C's policy, in these circumstances, if it gives said notice in writing first.*

*As UKI is the party who wrote the terms and conditions, I consider it fair and reasonable to hold them to the requirements they set out. So, in the circumstances of this complaint, I don't think UKI's decision to cancel Mr C's policy was fair, reasonable or in line with the policy terms.*

*I note that Mr C has said he didn't receive some of the letters sent by UKI, so I've considered whether it's fair to uphold this complaint, given the possibility that he may not have received a cancellation notice, had it been sent. But just because Mr C says he didn't receive some letters, doesn't mean that he wouldn't have received a cancellation notice – had it been sent. After all, he did receive the cancellation confirmation letter. And even if Mr C had received the letters UKI sent, as they didn't give him at least 7 days' notice of cancellation, he would most likely still be in the same position that he now finds himself in.*

*Had UKI sent the cancellation confirmation letter in the same way it sent the other letters I would not think Mr C's complaint should be upheld. This is because I would consider that UKI had followed its correct process by sending the required notice, by the correct medium, to Mr C's correct address. So I wouldn't hold it responsible if Mr C didn't receive the letters. But as UKI didn't send a letter, giving the required notice, before cancelling Mr C's policy, I think his complaint should be upheld.*

*UKI charged Mr C an administration fee for cancelling his policy – which it is entitled to do under the terms and conditions. But as I don't agree the cancellation was fair in the circumstances here, I think UKI needs to reimburse this fee, plus interest.*

*Mr C has also explained that because UKI recorded that it cancelled Mr C's policy on the industry databases, he has had to pay a higher premium to get a new policy elsewhere. I accept that this will have been frustrating and distressing for Mr C. So, to put things right, I think UKI should remove the cancellation marker recorded against Mr C from the relevant databases. In addition, UKI should issue Mr C with a letter stating that the cancellation marker was incorrectly recorded – which Mr C can provide to his new insurer to have his premiums recalculated and reduced accordingly.*

*Taking into account everything Mr C has said about the impact UKI's error has had on him, I think UKI should also pay him £200 compensation."*

I asked both sides to provide any further comments or evidence they wanted me to consider before I reached a final decision.

UKI responded to say it didn't agree with my provisional findings. To summarise, it said:

- The letters it sent included clear deadlines which were longer than seven days
- Mr C says he didn't receive the letters, so even if it had sent a cancellation notice, he wouldn't have received or read it
- Mr C logged into his online account in October 2020, when the welcome letter would have been available
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- The compensation suggested is too high

Mr C didn't respond to my provisional decision, and the deadline to do so has now passed, so I'm moving forward with my 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.

UKI suggests that it doesn't matter that it didn't send a notice of cancellation because the letters it did send contained clear deadlines. I considered this when reaching my provisional decision. But as I stated, the policy is clear that UKI only has the right to cancel Mr C's policy, for the reason it has done here, if it provides seven days' notice of its intention to do so in writing. UKI didn't do that in this case.

UKI has also argued that it wouldn't have made any difference if it had sent a cancellation notice as Mr C would likely not have received or read it. Again, I thought about this before I reached my provisional decision. In my view, the fact Mr C says he didn't receive the welcome letter or chaser doesn't mean he wouldn't have received a cancellation notice if it had been sent, especially considering that Mr C did receive the cancellation confirmation letter when that was sent. What I think is crucial is that UKI did not follow the required process before taking the decision to cancel Mr C's policy.

Ultimately, I don't think UKI's decision to cancel Mr C's policy was in line with the policy terms, or fair and reasonable, in the particular circumstances of this case.

I've also thought about UKI's concern with the level of compensation I provisionally decided on. But its comments haven't changed my decision. I think UKI was wrong to cancel Mr C's policy in the way it did and, in addition to causing him detriment, I think this caused some understandable distress and inconvenience. I remain of the view that £200 will fairly compensate Mr C for the impact UKI's error had on him.

### **My final decision**

For the reasons I've explained above, and in my provisional decision, I uphold Mr C's complaint.

UK Insurance Limited must:

- Remove the cancellation marker recorded against Mr C from all relevant databases
- Reimburse the administration fee Mr C was charged, plus add 8% simple interest from the date Mr C was out of pocket until the date he is reimbursed
- Issue Mr C with a letter stating that the cancellation was incorrectly recorded against Mr C
- Pay Mr C £200 compensation

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 13 August 2021.

Adam Golding

**Ombudsman**