

The complaint

Miss L complains that Hastings insurance Services Limited cancelled her motor insurance policy and applied cancellation charges when she told it she had sold her car. She is willing to pay no more than the outstanding balance of the annual premium.

What happened

Miss L told Hastings that she'd sold her car. Hastings said it had no option but to cancel the policy as there was no longer an insurable asset for it to cover. It explained that Miss L had paid £256.21 when £325.82 was due on cancellation. This included its £45 cancellation fee, as shown in the policy booklet. So it said Miss L owed it £69.61. But Miss L was prepared to pay just the outstanding premiums for the policy year, with interest, £51.24.

Our investigator didn't recommend that the complaint should be upheld. He thought Hastings was entitled to cancel the policy under its terms and conditions as Miss L no longer owned the car. He thought it had correctly applied its charges. He thought that if Miss L had discussed selling her car, Hastings could have advised her of the consequences. So he couldn't say it had done anything wrong.

Miss L replied that she thought it was unfair for Hastings to rely on a consumer not retaining ownership of the car to cancel the policy. She thought this wasn't stated clearly in the policy documents. She said she had no reason to discuss selling her car with Hastings. She thought she wasn't obliged to tell Hastings that she had sold her car. Miss L asked for an ombudsman's review, so her 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.

I can understand Miss L's frustration. She was about a month away from the end of her policy year when she sold her car and the policy was cancelled. So she's left owing more than if the policy had kept running until year end.

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

Miss L thought she wasn't obliged to tell Hastings that she'd sold her car. But I disagree. I can see that on page 32 of the policy booklet, under Keeping Your Policy Up to Date, it states:

"You must let us know if you move house, change your job, change your Car/s, change what you use your Car/s for (i.e. business use) or if you want to include other drivers."

So I think it was reasonable for Hastings to expect Miss L to tell it that she had sold her car.

Miss L thought Hastings shouldn't have cancelled her policy. But I can see that in the policy booklet, on pages 36 and 37, Hastings sets out its rights to cancel the policy. This includes:

"Your Insurer is prevented from providing cover under this Policy by law or other reason."

I think that as Miss L had sold her car and wasn't replacing it, she no longer had an insurable asset and so the insurer would be unable to provide cover. I think this is standard industry practice and I can't say that it's unfair. If the car's new owner had made a claim, Miss L's insurer may have been held liable. And I don't think this would be fair. So I think it's fair and reasonable for Hastings to cancel the policy for this reason.

Hastings then calculated what Miss L owed for her cover. It included the insurer's pro-rata charge for time on risk, direct debit interest, Hastings' set-up fee, and Hastings' cancellation charge. I think these charges are clearly set out in its Welcome Pack and they're in keeping with other charges I've seen. So I can't say they are unfair or unreasonable.

Miss L had paid less than the amount Hastings had calculated, so it asked her to pay the difference, £69.61. This was more than Miss L would have paid if Miss L's policy had run its full course. And I've seen cases where this difference has been waived. But I think Hastings isn't obliged to do this. And, as I've stated above, it's acted within the policy terms and conditions. So I can't say that it's done anything wrong.

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 Miss L to accept or reject my decision before 31 August 2021.

Phillip Berechree
Ombudsman