

The complaint

Mr W complains that the policy for his vehicle was cancelled by Society of Lloyd's. That he only received a partial refund of his premium. And that he was forced to find insurance elsewhere, on short notice, and at a higher cost.

What happened

Mr W owned a VW Transporter T32 which he self-converted into a campervan. Following the conversion, the vehicle was insured via brokers, on a Motorhome and Campervan policy. Mr W says he'd told the brokers when he first insured the vehicle that despite the conversion, the DVLA still classified the vehicle as a VW Transporter. And he provided them with a copy of his V5 vehicle registration document which confirmed this.

The brokers were taken over and on 20 November 2020 the new brokers wrote to Mr W reminding him that his policy was due for renewal on 20 December 2020. They recommended that for the coming year they placed his policy with a different insurer, who was part of the syndicate known as Society of Lloyd's.

Mr W renewed his policy and paid the premium in full. On 22 December 2020 the brokers sent him a letter confirming his cover had been renewed. This stated, in the second paragraph, that because they'd placed him with a new insurer, they required information from him. And on the second page of the letter there was a list of the further documents they required. This list included his V5 and an engineer's report for the work carried out on his vehicle.

The letter also included the broker's terms of business, a Statement of Fact, Mr W's Policy Schedule, and his Motorhome Horizon insurance policy. Mr W was asked to sign and return a copy of the terms of business, which he did.

On 7 January 2021 the brokers contacted Mr W as Society of Lloyd's had requested further documentation, including his V5 and an engineer's report form. Mr W provided a copy of his V5 on 14 January 2021 but said he didn't have an engineer's report. The brokers then asked him to provide photos of the interior of the vehicle so they could refer these to the insurers. He provided these on 25 January 2021. But he was advised that Society of Lloyd's couldn't cover his vehicle as it wasn't classified as a campervan on his V5, and they needed an engineer's report for the conversion.

Mr W's policy was cancelled on 26 January 2021.

Mr W says that at no point during the renewal process was he told that to renew his policy, his vehicle had to be classified by the DVLA as a campervan. He knew that his vehicle wasn't classified as a campervan, and as he'd provided a copy of his V5 to the brokers, they should also have been aware of this.

Following the cancellation of his policy, Mr W received a refund of £56.29. This was the premium he'd paid, less deductions for the period of cover he'd had, commission, cancellation fees and a refund fee. Mr W had to arrange cover with another insurer which

he's told us was more expensive than the policy that was cancelled.

Mr W complained and the brokers replied to his complaint, issuing a final response letter. Mr W wasn't aware that they hadn't notified Society of Lloyd's of his complaint. In their response the brokers simply said that they were sorry they hadn't been able to '*mutually resolve*' his complaint and provided referral rights to our service.

So Mr W then complained to our service.

After he'd done this it became clear that the brokers had responded to Mr W on behalf of the underwriters but hadn't notified them of the complaint. So our investigator notified them of the complaint on Mr W's behalf. And they told us they wanted the opportunity to investigate the complaint. Mr W's policy is underwritten by one of the insurers who form part of the syndicate known as the Society of Lloyd's. They have a two-stage complaint procedure.

A response to Mr W's complaint was issued under the first part of this complaint procedure on 26 August 2021. It appears that Mr W never received this letter. But it said his complaint wasn't upheld, as if they'd known his vehicle hadn't been converted to a motorhome on his V5, they wouldn't have offered him cover.

It also said they'd provided a pro-rata refund of premium to his brokers, and they couldn't comment on the fees or financial agreements Mr W had in place with his brokers.

As Mr W didn't receive the letter, he didn't respond. So, the second stage of the complaint procedure wasn't triggered.

Our investigator then considered the case and felt that Society of Lloyd's had done what they should have done. He thought the requirements of the policy renewal had been made clear to Mr W, as the welcome documents sent to Mr W said it was a condition of the renewal that an engineer's report along with his V5, were provided.

Our investigator also said Mr W's policy defined a motorhome as a '*motorhome or campervan whose details have been reported to and accepted by us*'. And as Society of Lloyd's didn't accept that Mr W's vehicle could be considered as a motorhome, he didn't meet the criteria for the policy. And the requirements for a motorhome were set out on page 20 of Mr W's policy booklet.

These included the vehicle's V5 being updated to show it had been registered as a motorhome and evidence of the conversion. This could be an engineer's report, or the insurer's completed declaration form with photographs. Our investigator was satisfied that Mr W hadn't met these requirements. So the policy terms and conditions entitled Society of Lloyds to cancel his policy.

Society of Lloyd's had given Mr W notice that the requirements for the policy must be met within 30 days or they'd cancel his policy. They also said that if they'd known his vehicle's V5 hadn't been updated they wouldn't have offered the policy.

Our investigator said that insurers set their own criteria for risk that they use to determine if they want to offer insurance cover or not. And as Mr W didn't meet their criteria, they weren't obliged to continue to provide cover. So he felt Society of Lloyd's had acted fairly in cancelling the policy. And he considered the refund of Mr W's premium was fair.

Mr W didn't accept our investigators opinion.

He responded by saying: -

- The brokers were aware that the vehicle had been converted back in 2019, having previously arranged insurance for it.
- The brokers were aware that his V5 didn't show the vehicle as a campervan, as he'd provided them with a copy when he first took out his insurance.
- This important term was never brought to his attention.
- The brokers said they couldn't offer him cover with another insurer while there was an ongoing complaint.
- He was told the complaint would take eight weeks to resolve so the brokers offer to refund £146.29 if they insured his vehicle with another insurer was disingenuous.
- He received the Welcome documents after he'd paid for his policy.
- His policy was cancelled on the basis that the vehicle type hadn't been updated on his V5 to motorcaravan.
- Such a fundamental condition should have been brought to his attention before purchasing the insurance, not hidden in the welcome pack.
- He's not a specialist in motor insurance and relied on the brokers and insurers to advise him before purchasing his insurance.
- Society of Lloyd's should have asked for a copy of his V5 before offering him cover.
- Taking 80% of the premium to cover administration and cancellation fees isn't reasonable when he only had cover for a month.

Our investigator responded to Mr W saying that any complaint about the broker being aware of the status of his vehicle would have to be addressed to them, rather than Society of Lloyd's. As would the issue of the brokers offering him a higher refund if they could arrange cover for him with another insurer.

In relation to the need for Mr W to provide an engineer's report, our investigator said that this was covered in the renewal letter dated 22 Dec 2020 he was sent. Which he says also required him to provide a clear copy of his V5. Our investigator accepted that the renewal letter doesn't refer to the V5 needing to show the vehicle as a motorcaravan. But he said this wouldn't have changed the outcome, as the policy would have been cancelled anyway, as there was no engineer's report.

Our investigator went on to say that the welcome documents Mr W received told him to check everything he received, to ensure they met his requirements. It was his responsibility to check all his policy documents. Mr W was also asked to sign a copy of the terms of business, once he'd read all the documents, which he did. So it was reasonable for Society of Lloyd's to believe he'd read all the documents.

In relation to the deductions from Mr W's premium, our investigator said that he had the right to cancel his policy within 14 days of it starting. And had he done so he'd have been entitled to the refund of his premium, less the cost of the cover he had. But as the policy was cancelled after 30 days Society of Lloyd's were entitled to deduct administration and cancellation fees.

Our investigator said the Society of Lloyd's wrote to Mr W on 7 January 2021 asking for copies of the documents they requested. He said it wasn't their fault that Mr W hadn't provided the necessary documents. He also said that this was the first time that Mr W told them he didn't have an engineer's report. And had they been made aware of this earlier they wouldn't have provided cover.

Our investigator said he'd also looked at The Insurance Conduct Of Business Sourcebook (ICOBS). A handbook explaining the rules and best practices for an insurer. Section 8.1 sets out the general rules an insurer must follow. One of these rules says an insurer must "*not*

unreasonably reject a claim (including by terminating or avoiding a policy)”. He considered this and felt Society of Lloyd’s had acted reasonably in cancelling Mr W’s policy.

Mr W didn’t feel that our investigator had addressed the points he’d raised so the case came to me for a decision.

I issued a provisional decision on 18 February 2022. And in it I said: -

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

The underwriters who provided Mr W’s policy are part of the syndicate known as Society of Lloyd’s. To simplify things, I’m going to refer to all actions taken by the underwriters, as having been taken by Society of Lloyd’s.

Mr W’s policy with Society of Lloyd’s was arranged by a broker. His complaint is about the cancellation of his policy and the refund he received following this. His policy was cancelled by Society of Lloyd’s and they returned the premium he’d paid to the brokers, less an amount to cover the cost of the period his vehicle was on cover.

I’m only able to consider the actions taken by Society of Lloyd’s, not the actions of the brokers.

The policy was arranged for Mr W by his brokers. Had he dealt directly with Society of Lloyd’s, they may well have asked to see copies of his V5 and an engineer’s report, before they agreed to offer him cover. But this isn’t what happened.

The letter Mr W received from the brokers with the welcome pack he was sent on 22 December 2020 said that as his cover was with a new insurer, they required further documents from him, including his V5 and an engineer’s report. The letter also told him to check all the documents he was sent to ensure the insurance cover met his needs.

I’ve considered the Statement of Fact and Policy Schedule. The Statement of Fact says in Section 8, headed ‘Important Notes’ that ‘the insurers reserve the right to decline any insurance risk or change the premium and the terms quoted. So I think Mr W was put on notice that further information was required before his cover was confirmed.

Mr W’s policy document includes, on page 9, a definition of a motorhome. Which is ‘the motorhome or campervan whose details have been reported to us and accepted by us and whose registration number is shown in your schedule’. The details of Mr W’s vehicle are correctly recorded on his policy schedule and, so far as he was aware at this point his vehicle had been accepted by Society of Lloyd’s.

The general terms and conditions of the policy are set out on pages 19 to 21 of the policy. These include, on page 20, Motorhome specifications and requirements. Which state ‘Where your motorhome has been converted, this must meet our minimum motorhome conversion standard and the DVLA must be notified of the conversion. If the conversion has not been completed by a professional, we will require evidence that the conversion has been completed within 30 days of your cover starting. This can be in the form of:

- 1. An engineer’s report completed at the time of conversion with photographs*
- 2. Our declaration (supplied with your documents) with photographs; or*
- 3. The V5 document showing the vehicle has been re-registered as a motorhome and a*

copy of the current MOT certificate.

The policy document also includes details of when the insurance may be cancelled. These are set out on page 28 of the policy, and includes the following:

'Your policy may be cancelled because – you have not provided documentation requested by us or your insurance intermediary'.

If Mr W hadn't been put on notice that Society of Lloyd's required further documentation from him, then I might agree that he hadn't been given proper notice of the requirements to provide cover for his vehicle. But the need to provide these documents is set out in the letter of 22 December 2020, and the Statement of Fact puts him on notice that the insurer reserves the right to decline any risk.

Mr W's policy was recommended to him by his brokers not arranged directly with Society of Lloyd's. The terms of business provided by the brokers, and signed by Mr W, state that part of their role is to assess his needs and provide him with a personal recommendation explaining why the product recommended best meets his requirements.

Based on the documentation Mr W was sent on renewal, I'm persuaded that he should have been aware that Society of Lloyd's required his V5 and details of the conversion of his vehicle, before confirming his cover. I can't hold them responsible for the cover being unsuitable for Mr W, as it wasn't arranged directly with them.

And having established that Mr W's V5 didn't show that his vehicle had been re-registered as a motorhome I think that Society of Lloyd's were entitled to cancel Mr W's policy.

When the policy was cancelled, Society of Lloyd's refunded Mr W's premium to his brokers less an amount for the period his vehicle had been on cover. This is what they were required to do. Any other fees deducted are an issue between Mr W and his brokers, so I can't comment further on these.

And I can't say that Society of Lloyd's are responsible for the alternative insurance Mr W had to arrange costing more than the policy they cancelled. Particularly as, had they had full details of his vehicle, they'd never have provided cover.

So my provisional decision was that I didn't uphold Mr W's complaint.

Mr W has said that he doesn't accept my provisional decision. He's says that he wasn't notified of the fundamental terms of the policy until after he'd paid the premium and the policy was in place. And had he been, he wouldn't have proceeded as he'd have known that he couldn't satisfy the insurer's requirements.

He believes Society of Lloyd's would have been able to establish his vehicle was a conversion, before issuing his policy, but didn't notify him or the brokers, that they required certain documentation, or information about the conversion, or the policy would be cancelled. He doesn't think this is fair.

And he says that the DVLA had announced, before his policy was issued, that it would not be amending V5s of vans that had been converted into motorhomes. He says Society of Lloyd's would have been aware of this, so it would have been reasonable to ask either him, or the broker, if his V5 had been amended.

He also says that he's not sure how he could satisfy Society of Lloyd's requirements when he wasn't notified of them in advance. And when he was notified, he provided a copy of his

V5, he confirmed he didn't have an engineer's report, he provided photos of the conversion and the required declaration and a copy of his MOT certificate.

He questions what more he could have done when the DVLA refuse to amend V5s in relation to conversions. He says that as far as he was aware, he complied with the general terms and conditions of the policy. And he believes Society of Lloyd's should have brought such a fundamental condition to his attention, before he bought his policy, rather than hiding it in the terms and conditions issued after the policy was in place. He says this takes advantage of him, as he has no knowledge of the insurance market.

We asked Society of Lloyd's whether they considered the change in the DVLA's requirements for changing the body type of a vehicle to motor caravan, when setting the requirements for accepting a vehicle on a motorhome policy.

They've said: -

"The crux of the issue is that at the time of cancellation, the customer did not provide evidence that they had registered the vehicle with the DVLA or provided us the validation documents for us as the insurer (photos and engineers report), to be satisfied of the conversion.

This is a specific motorhome scheme. Irrespective of whether the DVLA confirms 'if the vehicle's body type is not changed to 'motor caravan', the vehicle can still be used for this purpose as long as the keeper is satisfied the converted vehicle meets the required internal features for motor caravans' as per our policy terms we are entitled to cancel the policy, if we as the insurer, have not received the necessary evidence to satisfy our own requirements for vehicles to be acceptable on this scheme."

We provided a copy of Society of Lloyd's response to Mr W. He's said that he struggles to understand the insurer's stance, as he doesn't see how he could provide the required evidence, when he was only notified of the requirements after he'd paid his premium and received the policy documents setting these out. And he says that surely they were obliged to draw these terms to his attention before accepting payment of his premium.

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 Mr W's frustration that his policy with Society of Lloyd's was cancelled. But the policy was a specific motorhome scheme. Had Mr W arranged his policy with them direct, then I would have expected him to be notified of the policy requirements before he paid his premium and the policy was issued.

I accept that Mr W isn't a specialist in motor insurance. He says that because of this he relied on his brokers and Society of Lloyd's when arranging his cover. His policy was recommended to him and arranged by brokers. He was put on notice when the brokers sent his welcome pack, that as his cover was with a new insurer, they required further documents from him. And the letter enclosing the welcome pack told him to check all the documents to ensure the insurance cover met his needs.

I'm not considering the actions of the brokers, just those of Society of Lloyd's. I can't say that they should have checked that his vehicle met the requirements of their motorhome scheme, before the policy was issued, as the policy was arranged by Mr W's brokers. He was put on notice of the further documentation Society of Lloyd's required. And when this wasn't

provided his cover was cancelled in accordance with the policy terms and conditions.

When the policy was cancelled Society of Lloyds refunded Mr W's premium to his brokers less an amount for the period his vehicle had been on cover. This is what they were required to do. And as I've said, the other fees deducted are an issue between Mr W and his brokers, so I can't comment on them.

And I can't say that Society of Lloyd's are responsible for the alternative insurance Mr W had to arrange costing more than the policy they cancelled. Particularly as, had they had full details of his vehicle, they'd never have provided cover.

My final decision

For the reasons set out above and in my provisional decision, my final decision is that I don't uphold Mr W's complaint about Society of Lloyd's.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 2 June 2022.

Patricia O'Leary
Ombudsman