

The complaint

Mrs H has complained that Casualty & General Insurance Company (Europe) Ltd unreasonably cancelled her pet policy because of an unpaid direct debit (DD) which neither Mrs H nor her bank cancelled.

What happened

Mrs H had a pet policy for her two dogs with Casualty. She needed to make a claim for both her dogs since they had received vet treatment. But when Mrs H went to do so, she discovered her policy had been cancelled without any notice.

Casualty said this was because the DD was cancelled which meant it couldn't collect her premium instalment. So, it then cancelled her policy. It said it had notified Mrs H of this, but Mrs H said she never received any notification of this.

Further Mrs H said neither her nor her bank had cancelled the DD at all so consequently Casualty should reinstate her policy. Casualty remained of the view that it hadn't done anything wrong, so it wouldn't reinstate her policy or consider her claim. This meant Mrs H was out of pocket for the vet fees she incurred. So, Mrs H brought her complaint to us.

Ultimately the investigator recommended this complaint should be upheld. Casualty maintained it didn't affect the DD mandate, so it didn't agree with the investigator's view. On that basis, Mrs H's complaint has been passed to me to decide.

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.

Having done so, I'm upholding this complaint. I'll now explain why.

First, I want to thank Mrs H for the level of detail she gathered in presenting her complaint. And, also, for reluctantly pursuing a complaint against her bank which in effect gave us the right answer on this complaint. It has meant a protracted complaint process for Mrs H too, which caused some considerable added inconvenience and distress.

Casualty invited Mrs H to renew her policy in the usual way on 4 December 2020. Her renewal date was 1 January 2021. Casualty explained in the renewal invite the following:

'Payment Details

Your renewal price is based on your current policy and your premium may change if any of your details have changed or you make a claim between now and 01/01/2021.

If you are unsure what information to tell us about, please contact us either at info@perfectpetinsurance.co.uk or 01992 667330.

We will collect payment using the payment method previously used for this policy.'

This shows that Casualty didn't expect that Mrs H would have to do anything in order for her policy to continue. Mrs H said she heard nothing further from Casualty, other than her renewed policy details.

In June 2021, she needed to make the claims previously referred to, and when she went on the website to download claim forms, she couldn't find her account. Casualty then told her she no longer had a policy. It said it had sent her two emails, one dealing with the issues it had with her DD, and the other telling her that her policy has cancelled. Mrs H said she never received these emails despite searching her spam folders etc. And to date Casualty has been unable to prove these emails were actually sent to Mrs H by way of appropriate system screen shots. Instead it's merely forwarded copies of them with sadly little proof when they were sent or indeed to whom. And oddly too, in my view, the cancellation is done as an endorsement but there's nothing to show me to whom this endorsement document was sent. That's not good enough evidence in my view that the issue of the problem with the DD and the subsequent cancellation of the policy notification was sent to Mrs H by Casualty.

Furthermore I don't consider Casualty's stance that Mrs H should have noticed her premium instalments weren't coming out of her bank account holds much merit, as it was for Casualty to effectively notify Mrs H that there were problems with her DD instead.

So, in the first instance, I don't consider Casualty appropriately notified Mrs H at the time that her policy was cancelled, on the basis there is no proof it sent her the emails it said it did. And I don't consider that was fair or reasonable. Had it notified Mrs H effectively, I have no doubt Mrs H would have responded, given her meticulous evidence in this complaint, and this matter would most likely have been sorted out long before Mrs H had any need to make any claims.

Nonetheless as confirmed by Mrs H's bank, no premium instalments had left her bank account to Casualty since the last one in December 2020 for that year's policy. Her bank said this was because the December 2020 instalment had the 'final instalment' code on it. So that meant once this 'final' instalment had been taken from Mrs H's bank account, the DD effectively expired, hence Casualty receiving the 'cancellation' notification. Mrs H's bank said that also would have been put on the DD mandate by Casualty when Casualty first set up Mrs H's policy and the payment of the premium by instalments. Mrs H's bank confirmed that neither Mrs H or her bank can interfere in any DD set up, as that set up can only be done by the entity or merchant in banking terms, and here, that is Casualty. That set up includes the amount to be paid, the dates it should be paid and for how long the payments need to be made. According to Mrs H's bank, only Casualty, as the merchant in this scenario, can set that up, neither Mrs H nor indeed the bank can interfere with that initial set up.

Mrs H's bank also confirmed that neither it nor Mrs H cancelled this DD either because essentially the DD had 'expired' in any event. And following Mrs H's complaint to her bank, we now know that this is correct. There is simply no evidence of any cancellation by Mrs H or her bank.

Further, we now know that for whatever reason, the cause of the DD having this to have final code, as against setting up a new DD on the policy renewal or indeed rather than the more usual continuous payment code, lies at the hands of whoever in Casualty set this up. Mrs H's bank said the following:

As part of my investigation I've looked into the direct debit you had with Perfect Pet Insurance. I've found that the final payment date for this was the 7th December 2020. This was pre-determined as the direct debit was set to finish

after twelve months. This was set by Perfect Pet Insurance and means that neither [name of bank] nor yourself [Mrs H] have cancelled this direct debit.

If any organisation plans to debit your account following the final payment it must set up a new direct debit authority. In the case of insurance policies, this would normally be done when you agree to renew your policy however no new instruction was received and therefore when a payment request was made, this was rejected as they did not have the authority to take funds from your account.'

We can see evidence from Mrs H's bank that Casualty did try and take a DD payment from Mrs H's account once the policy renewed, which wasn't of course met, because the last payment in December 2020 was wrongly marked as the 'final' payment. However what Casualty then failed to recognise, is that this has to have been its fault in the DD initial set up, in order for this to have happened. Sadly, for Mrs H, it has resolutely failed to investigate this, despite both Mrs H and indeed her bank, along with the investigator explaining the matter at some considerable and repeatedly length.

Casualty told the investigator on 20 January 2022 that it had a 'continuous mandate' in place thus not requiring any refreshing every 12 months. However, the evidence from Mrs H's bank shows for whatever reason the DD was not set up as a continuous payment mandate. This is because there is clear evidence from Mrs H's bank that the December payment was originally marked by Casualty itself in the initial set up, as being the 'final' payment required. So, although I've no reason to doubt that Casualty wanted the DD set up as a continuous payment, it's obvious to me that this didn't happen here. And I consider that's not Mrs H's fault or indeed her bank's either, given the evidence received in Mrs H's complaint against her bank.

Therefore, I consider the lack of payment of premiums for Mrs H's renewed policy with Casualty most likely occurred due to its mistake in the set of the DD initially. There's no other explanation on the evidence I have before me. More so given the evidence Mrs H's bank provided in the complaint against it.

So, it follows that I consider that Mrs H and her bank weren't at fault for any lack of payments for her renewed policy. Further as I said above, Mrs H wasn't appropriately informed by Casualty of this difficulty, in a timely manner at the time, and neither was she appropriately informed her policy had in fact been cancelled.

Therefore I consider it's right that Casualty now deals with Mrs H's claims for both her dogs as if the policy had renewed, using the terms and conditions of the policy it had renewed with Mrs H in January 2021 before it was cancelled.

If the claims are accepted, it would need to deduct the premium it required to be paid in instalments up to the date Mrs H found her alternative insurance policy along with the excess charge before paying her claims with interest. This is because Mrs H is now paying premiums for a new policy, from 8 September 2021, which she would not have been doing, had Casualty not cancelled her policy. So, on that basis it would not be reasonable or fair for Mrs H to be paying premiums twice for the same cover, given I consider neither Mrs H nor her bank had any hand in this. So, I don't consider it's right that the full year's premium should be deducted as the investigator initially thought in his view, which he has recently explained to Casualty.

This has understandably caused Mrs H some considerable distress, upset and inconvenience. The investigator suggested Casualty should pay Mrs H £300 compensation. I consider that is reasonable and in line with our approach to compensation in these sorts of circumstances.

My final decision

So, for these reasons, it's my final decision that I uphold this complaint.

I now require Casualty & General Insurance Company (Europe) Ltd to do the following:

- Assess Mrs H's claims as if the policy renewed in accordance with the terms and conditions of that policy.
- If her claims are accepted as valid claims, it must deduct any premium instalments Mrs H would have paid up to 31 August 2021 plus any excess before paying her claims.
- Adding interest at 8% simple per year from the date in June 2021 that Mrs H wanted to make her claims to the date it pays her claims. If income tax is to be deducted from the interest, appropriate documentation should be provided to Mrs H for HMRC purposes.
- Pay Mrs H £300 compensation for the distress, upset and inconvenience this matter caused her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 15 June 2022.

Rona Doyle
Ombudsman