

## The complaint

Mr L has complained about his motor insurer Acromas Insurance Company Limited because his policy was cancelled, he had to find new cover which was more expensive, and he also continued to pay for the old, cancelled policy.

## What happened

Mr L was involved in an accident with a police car. The police accepted liability for the incident and Mr L notified Acromas. He was initially unsure whether the police would repair his car or if he'd have to progress a claim with Acromas. Acromas said it thought his car should be written-off, but the police agreed to complete repairs. So he told Acromas not to progress his claim. In January 2021 it agreed to mark its file as notification only. But it had already told the broker the car was a total loss. So the broker cancelled the policy. When Mr L found out he asked for it be reinstated but was told this couldn't be done. In need of insurance he arranged alternative cover.

Mr L complained and has said he was told that he had to keep paying for his cancelled cover in the meantime. In a final response dated 11 October 2021 Acromas said that following a call with Mr L in December 2020, it hadn't been made clear to it that he had *not* wanted to claim. So it didn't uphold his complaint.

Our investigator felt Acromas had known this was a notification only but had failed to update the broker in that respect. He said Acromas should refund to Mr L any duplicated premium payment and pay him £250 compensation. When Acromas suggested that the broker had been responsible for cancelling the policy, our investigator explained that the broker had been acting on behalf of Acromas when carrying out that activity. So he was satisfied that Acromas was responsible for the consequences Mr L suffered.

The complaint was passed for an ombudsman's consideration. I also felt it should be upheld – and for largely the same reasons. But my view on fair and reasonable redress was different. So I issued a provisional decision, my findings of which were:

*“Acromas’ file shows that it accepted on 7 January that this incident was not to be dealt with as a claim by it. It acted swiftly to remove the total loss marker from the industry records and to change the claim records to show a ‘notification only’ had occurred. But the problem for Acromas is that when it did this it had already told the broker that the car was being treated as a total loss – and when it changed the other records it did not update the broker. So the broker, whether it was acting for Acromas or on its own account at that time, then acted on information which, by that point, was out of date. I wouldn’t expect a broker to feel as though it has to second guess or check up on what appeared to be a normal and clear claim update from the insurer. Acromas failed to update the broker following it revising the total loss outcome, and the direct result of that failure was that Mr L’s policy was cancelled.*

*Mr L has shown me that he continued to pay for the Acromas policy until it expired at renewal in October 2021. Why he did that isn’t really that important. Acromas was not bearing the insurance risk for him and his car at that time. And no claim had been made on the policy. So Acromas needs to pro-rate the cover it did provide from its start until it was*

*cancelled on 8 February 2021. Mr L has paid it £244.89 in total, so it must then reimburse the difference between what Mr L paid it and the pro-rated insurance cost. As the policy should never have been cancelled, Acromas cannot keep anything for any cancellation fee. And it should add interest to each premium amount that makes up the reimbursement sum from the date each was paid by Mr L until settlement is made.*

*I'm also aware of the new policy Mr L had to purchase. The cover seems similar but it was more expensive than the policy he had with Acromas. I appreciate that any incident, even if it doesn't result in a claim against a policy, will often result in an increase in premium. But the policyholder would only usually be subject to such an increase at the point the policy renews. But for Acromas' failure Mr L would have continued with his policy, which cost him £20.30 per month, with a final payment being made in October 2021 of £20.26. As it was, on 9 February 2021 Mr L had to pay his new insurer £29.06 and £27.27 per month thereafter. That is a total increase for Mr L in the period until his Acromas policy was due to renew in October 2021 of £64.56 (£247.22 paid for the new policy against £182.66 for the cancelled cover). I'm going to require Acromas to pay that sum to Mr L. And to every overpayment amount that makes up that total, to add interest from the date the overpayment was made until settlement is made.*

*I understand that Mr L was caused a lot of upset and inconvenience when he was told the policy had been cancelled. His car was in a public area and he had to find another way of getting home in order to try and sort out new cover. I also understand that this has generally been very frustrating for him and I know he's felt compelled to keep paying the old premium. I think £250 compensation is fairly and reasonably due."*

Mr L said he accepted my decision. Acromas didn't reply.

### **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.

As Mr L accepted my provisional decision, and Acromas made no objection to it, I've no need to change, or add to, my findings or award provisionally stated. My provisional findings and award are now those of this, my final decision.

### **Putting things right**

I require Acromas to:

- Pro-rate the cost of the policy from its start until 8 February 2021 when it was cancelled, without applying any fees or charges which would otherwise be due when a policy cancels.
- Reimburse Mr L the difference between the pro-rated policy cost and the £244.89 he has paid for cover, plus interest\* on each premium amount that makes up the reimbursement sum from the date each was paid by Mr L until settlement is made.
- Pay Mr L £64.56 as reimbursement of the extra cost of cover he had between February 2021 and October 2021 inclusive, plus interest\* on each extra monthly cost that makes up that sum from the date it was paid until settlement is made.
- Pay Mr L £250 compensation for the upset he was caused.

\*Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. If income tax is to be deducted from the interest, appropriate documentation should be provided to Mr L for HMRC purposes.

### **My final decision**

I uphold this complaint. I require Acromas Insurance Company Limited to provide the redress set out above at *"putting things right"*.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 7 July 2022.

Fiona Robinson  
**Ombudsman**