

The complaint

Mr C has complained about his car insurance broker Acorn Insurance and Financial Services Ltd. Amongst other things, it cancelled his policy and Mr C has since been unable to drive.

What happened

Mr C had arranged a policy via Acorn in 2020. In October 2020 he changed his car but then suspended his policy due to the pandemic. It resumed shortly after and in spring 2021 Mr C missed a direct debit payment. He was looking to make the payment up. In May 2021 he told Acorn he had sold his car. He asked it about changing his policy to a new car. Acorn confirmed that he was paying monthly and realised it hadn't carried some claims over to the cover that applied to the car Mr C had just sold. It said he would have to pay an extra premium of £60.82 for the cover he'd had. And it gave him a price for the new car.

Mr C didn't want to pay the quoted price to cover the new car. He asked Acorn to cancel his policy. Acorn didn't do that though. And it began writing to Mr C asking for the backdated premium charged after it added previous claims. It said if this wasn't paid it would cancel the cover. Furthermore, when Mr C had been looking at ways to make up the missed payment, he had agreed to make weekly payments. However, no payments had been made and Acorn wrote to Mr C separately saying his policy would be cancelled if that payment arrangement was not kept to. A few days after Mr C had asked to cancel the cover, Acorn cancelled it. Mr C received the confirmation of cancellation and was unhappy.

Acorn said it would waive the extra premium and the £100 cancellation fee. So there was nothing for Mr C to pay. It later confirmed that whilst it had noted the policy had been cancelled, this had been recorded as a "*non-reportable*" cancellation – meaning Mr C wouldn't have to declare to other insurers that he'd had a policy cancelled.

Mr C was still unhappy and complained to us. Whilst we were looking into his complaint he received further communication from Acorn. It said he had an outstanding premium of over £300 that needed to be paid. Acorn explained to our investigator that when Mr C had asked to change his car in October, this had generated an extra premium for cover for the remainder of the policy year. However, it hadn't been obtained from Mr C when the policy was suspended, and when the policy began again, the cost had been missed. The outstanding amount had also been missed when Acorn had told Mr C after the policy cancellation that he had nothing else to pay. Acorn calculated that the extra cost to the date the policy was actually cancelled would only be £167.48. It said this would now be waived.

Mr C was pleased this was waived but he remained confused and concerned because Acorn had previously assured him there had been nothing to pay. Acorn said it was happy for us to look at this issue as part of Mr C's complaint.

Our investigator thought Mr C had received some poor service. She said he should be paid £150 compensation.

Mr C felt this didn't go far enough given everything he felt he'd been through. He said he couldn't get cover due to this cancellation. He explained in some detail how his health means he can't use public transport and without a car he'd been unable to visit family and support a poorly relative. He said he'd been caused lots of worry and upset. Not least when he received letters threatening legal action for a debt he hadn't even known existed, especially when Acorn had assured him there had been nothing outstanding for him to pay. He said he'd had job offers he couldn't take because he couldn't drive, so he'd lost income.

Our investigator considered the evidence Mr C had provided about jobs opportunities. But she wasn't persuaded that Mr C had received confirmed job offers that fell through only due to his being unable to drive. Regarding the cancellation she noted that Mr C had had a policy cancelled previously. She felt that having this further policy cancelled wouldn't have made it any more difficult for him to get cover.

Mr C remained unhappy. His complaint was passed to me for an ombudsman's consideration. I thought Acorn had failed Mr C, and that this had caused him a lot of upset and inconvenience. As such I was minded to make it pay substantial compensation. I issued a provisional decision to explain my views to both parties. The findings from my provisional decision were:

"Cancellation

Strictly speaking, if a policyholder agrees a payment arrangement, which they then fail to keep to, an insurer or broker might well be able to cancel the cover. But this service would always consider, where such a cancellation occurs, whether that had been fair and reasonable in the circumstances. Here, I don't think it was.

I think Mr C didn't know he had entered into a weekly payment arrangement. He spoke to Acorn just a couple of days after the arrangement began. Acorn's call notes show he was unclear about the arrangement. But also that the situation wasn't clarified and the conversation continued to discuss what Mr C's monthly payment arrangement was. And Acorn's file shows that it was possible for Mr C to have entered into the weekly arrangement without realising that he had done so. Acorn's file also showed it had been trying to contact Mr C by email and text message, even though his preferred method of contact was post.

So I don't think Acorn communicated with Mr C clearly – it's system shouldn't have allowed such an important arrangement, that might result in a policy cancellation, to be arranged by mistake and its advisor should have taken the opportunity they had to clarify the situation with Mr C. Further, communication should have been by the preferred method. But for any one of these failures the cancellation of Mr C's policy would likely have been avoided.

But, more than that, before Acorn acted to cancel Mr C's policy, Mr C told it he no longer owned the car it had arranged cover for and he asked it to cancel the policy. I think Acorn should have acted on that request. But it didn't. Instead, just a couple of days later, it cancelled the cover for failure to keep to the payment arrangement. It backdated the cancellation to the day after Mr C had asked to cancel. That doesn't seem fair to me. Cancellation for a policyholder can have severe repercussions. Clearly Acorn didn't want to be arranging cover for Mr C anymore – but he had told it he didn't want it to anyway. Fairly and reasonably, I think his request, even without Acorn's other failures, should have been actioned with any cancellation it had been thinking about being set aside. In all of the circumstances here, forcing its cancellation through was, in my view, unfair and unreasonable.

Request for outstanding premium

Following the policy cancellation, Acorn assured Mr C there was nothing owing to it. It was quite a while later when Mr C received contact stating he had to pay over £300. And this

payment amount dated back to changes that had been put into effect on the policy about a year before. Furthermore, given that the policy had cancelled early, the value in question was incorrect. I think it's fair to say also that Acorn was very aware, through the course of everything else that had gone on, that Mr C was struggling financially and that he'd suffered stress due to the cancellation. I think sending him contact like this, some of which came from solicitors, was unfair and unreasonable. I also think it caused him a lot more stress. Not least as the letters received threatened legal action.

With our involvement Acorn clarified that the amount outstanding, once the cancellation date had been taken into account, was £167.42. Also that it had waived this sum and it was no longer asking Mr C to pay it. I think that was fair in the circumstances. But I will allow this sum to be deducted from the compensation amount I am awarding. That is because Mr C did have the benefit of the cover this price was charged for – between October 2020 and May 2021. Just because Acorn handled collection of it in an inappropriate way – forgetting about it initially and then asking for it a year later, doesn't mean Mr C shouldn't have to pay it. So it's reasonable for me to allow this sum to be off-set against my compensation award.

I appreciate that Acorn has amended its own records to show this sum isn't owed by Mr C. But I'm not sure whether the fact of this sum having been outstanding was recorded in any way on Mr C's credit records. Acorn should provide a letter for Mr C to present to credit reference agencies if he needs to, to explain that the amount in question became outstanding due to an error on its part – that requests for its payment were later withdrawn.

Compensation

I understand from detail Mr C has given us that he has been unable to drive since Acorn effected the cancellation. I know he didn't have a car at that point. But I think it's fair to say that he then couldn't reasonably get another car as he knew he couldn't insure it. And on that note, I think that whilst declaring one policy cancellation to prospective insurers makes it difficult to find cover, having a second declarable cancellation, makes finding cover that much harder, and definitely more expensive, again. It is, in my experience, a cumulative effect. So I think it is most likely that Acorn's cancellation made Mr C's position more difficult than it already was. I accept that whilst he had found cover before whilst declaring one cancellation, he now couldn't find affordable cover at all.

However, I'm not going to award Mr C a sum to account for jobs he couldn't take. I've seen the evidence he has sent about the jobs and I don't think he had an agreed job in place which fell through. Rather he had some prospective/possible job opportunities, that he might have been able to take further if he'd had a car.

I am minded though to require Acorn to pay Mr C £10 a day for loss of use of a car. It will have to pay him that from 20 May 2021 until 11 March 2022. It was 11 March 2022 when Acorn told Mr C it would mark the cancellation as "non-reportable". At that point he was back in the position he should always have been in when he told Acorn he'd sold his car and wanted to cancel the cover, but which was never actually achieved before because of the unreasonable cancellation on 20 May 2021.

I also absolutely understand the frustration Mr C has felt throughout this matter. Not least – that he felt stuck as he wanted to work but the job opportunities he was seeing required him to drive and Acorn's cancellation was preventing him from doing that. I also understand how upset Mr C was at not being able to drive – that this has had a massive impact on him personally. There's then the stress he was caused when Acorn began asking for money again in October 2021. Bearing all of this in mind I think Acorn should pay Mr C £1,500 compensation.

But, as noted above already, there are some sums that can, I think, reasonably be off-set against that. Firstly the extra premium of £167.42. But also the waived £100 cancellation fee. I've explained about the £167.42 above. Regarding the cancellation fee, if Acorn had listened to Mr C and cancelled the policy, he would always have had to pay this fee. Acorn has waived it. It's fair, I think, to off-set that sum against my compensation award.

I know Acorn also waived a charge of £60.82. This was for an increased premium it tried to charge Mr C in respect of claims. I'm not going to allow this waived sum to be off-set against the compensation award. In short, and regardless of whether or not this change came about due to another failure of Acorn, this service doesn't find it fair for such sums to be demanded mid-term. Rather, and again in short, the policyholder should get the chance to cancel. And Mr C cancelled. As this sum couldn't reasonably be charged in the first place, Acorn having waived it can't really be seen as a goodwill gesture."

Mr C said he accepted my provisional decision. Acorn said it disagreed with it.

In short Acorn said it had always sort to assist Mr C and it provided detail of how it had gone about doing that. And that the cancellation was ultimately effected for non-payment, in line with the terms of the policy. Acorn said it didn't think the awards I had proposed were "reflective of the support that was actually provided".

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've considered the detail Acorn has provided in reply. But it is reflective of the detail I had seen when assessing the complaint prior to making my provisional decision. I was aware then that, at times, Acorn had looked to assist Mr C and that it had waived various charges during the course of their relations. And I've allowed some of the waived sums to be off-set against my compensation award. But Acorn's acts, at times, of assisting and supporting Mr C, don't change the fact that, in my view, when it came to cancelling the policy, despite what the terms allowed it to do, it acted unfairly and unreasonably. And that I'm satisfied that Acorn's unfair and unreasonable action, including it asking Mr C for more money in October 2021, had repercussions for Mr C. My awards then account for that, so that, as far as reasonably possible, the impacts Mr C suffered are mitigated. I remain of the view that my provisionally stated awards are fair and reasonable in the circumstances.

Having reviewed the complaint again, and taken into account Acorn's reply, I'm not minded to change my findings or awards provisionally stated. They, along with my comments above, are now those of this, my final decision.

Putting things right

I require Acorn, in respect of the sum it demanded payment of in October 2021, to provide Mr C with a letter that, if necessary, he can use with credit reference agencies, which explains that the amount became outstanding due to a failure on its part – that requests for its payment were later withdrawn.

I also require Acorn to pay Mr C:

- £10 a day for loss of use of a car, from 20 May 2021 until 11 March 2022 (inclusive).
- £1,232.58 compensation for upset – where my total award is £1,500 but it is reasonable for this to be paid less the waived figures of £100 and £167.42.

My final decision

I uphold this complaint. I require Acorn Insurance and Financial Services Ltd 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 C to accept or reject my decision before 17 August 2022.

Fiona Robinson
Ombudsman