

The complaint

Ms P has complained about her motor insurance broker, By Miles Ltd, because it cancelled her policy.

What happened

Ms P had an accident. Her car was declared a total loss but repairable. Her insurer settled the claim, returning the car to Ms P for fixing and Ms P called By Miles. She wanted to make sure her policy was all still in place and would remain in place until renewal. She was assured it was and would. Around ten days later Ms P received an email stating the policy was ending the same day. By Miles said that was the case because of the claim which the insurer had settled. To compensate her for the advice received it offered her free legal cover and £20 of credit towards a new policy. Ms P found cover elsewhere and complained to us.

Our investigator felt that By Miles had acted fairly and reasonably by cancelling the policy because it was likely Ms P's car had been unroadworthy. He said she'd have needed to show it was repaired in order to have it covered. And he felt the advice received had been correct at the point given. So he didn't uphold the complaint.

Ms P disagreed. She said she had called By Miles specifically to establish what was needed going forwards with the claim having been settled. Her complaint was passed to me for an ombudsman's consideration.

Having considered the complaint and listened to the call in question, I felt By Miles had failed Ms P. So I issued a provisional decision to explain my views and intended redress to both parties. My findings were:

"In the call By Miles was asked, now there'd been a claim, if the policy was still valid to the normal expiry date. By Miles was also told the claim had been settled. And, crucially, I think, it was asked if all Ms P needed to do now was put the black box, which the policy requires to be fitted to the car, back in the car. The By Miles representative said the policy was still valid and all Ms P needed to do was put the box back in and she would be "good to go".

Now if the claim had not resulted in the total loss of the car, then that advice would seemingly have been correct. The fact the car had been declared a total loss wasn't volunteered to By Miles in this call. But the By Miles advisor, unlike Ms P, would have known that different claim outcomes mean the policy follows a different path. Here the total loss meant the policy would end unless Ms P took some important steps. It wasn't the case that she could just put the box back in and continue driving under the By Miles policy until renewal. And the By Miles advisor – knowing that the claim had been settled and Ms P had the car – should have been wise to that and asked more detail of Ms P's representative in order to make sure the advice they were giving was correct. Seeing as Ms P had taken the time to call and check what she needed to do since the claim had been settled, I think if she'd been told the policy could continue but would likely be suspended for a time whilst she had repairs done and presented a report showing the car was fixed, she'd have done that.

As it was Ms P carried on using the car, not being aware that her policy was about to end. And, when it did end, it was abrupt with Ms P having no chance to, or option of, challenging it. This meant she had to find alternate cover at short notice. Finding cover like that will often result in a greater expense being incurred. And with the claim having just occurred as well that also increased the price of cover. But if the policy had remained in place until renewal, that expense, in the months up to the policy renewing, wouldn't have been incurred (because the original premium would have been maintained). And the cost related to finding alternative cover quickly, wouldn't have been incurred at all. I think By Miles needs to compensate Ms P for that.

In that respect Ms P will have to send By Miles proof of the cost to her of cover and By Miles will have to refund her the difference between what she'd been paying for the cover it had arranged and that she had to take out when her policy was cancelled. Up to the date her cancelled policy would have renewed. Against each extra payment Ms P made, it will have to pay interest, applied from the date each was made by Ms P until settlement is made by it.*

I also think it needs to make up for the worry and inconvenience she was caused when she was told the policy was cancelling and she would have to find new cover urgently. I think £100 is fair and reasonable for that."

Ms P accepted my findings. By Miles said it disagreed with the decision.

By Miles said it still felt it had acted fairly and accurately in response to information available to it. It said the insurer told it of the total loss and so it had an obligation to act on that to cancel the policy. It said that to continue cover once a car is no longer owned by the policyholder – which is often what happens when a car is declared a total loss – can create a huge risk. And it had not been made aware that since the total loss settlement had been made it had been agreed for Ms P to keep the car.

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 note what By Miles has said it should do upon receipt of information from the insurer. But in this case By Miles didn't only receive detail about the claim outcome from the insurer. Before the insurer confirmed settlement, it spoke to its policyholder too. So it did know Ms P was keeping the car. And, as I've explained, the response given by By Miles in that conversation lacked detail. So much so, in my view, that it failed Ms P and caused her to end up in a position she otherwise wouldn't have been in. I remain of the view that Ms P likely was caused a loss as a result, as well as distress and inconvenience. All of which By Miles reasonably needs to make up for.

Having reviewed matters, my provisional findings haven't changed. They, along with my comment above, now form the findings of this, my final decision.

Putting things right

I require By Miles to:

- Reimburse Ms P any amount she paid extra for new cover when compared to the price of the cover which was cancelled (up to the date the cancelled policy would have renewed).
- On each extra payment made, apply interest*, from the date each was paid until

settlement is made.

- Pay £100 compensation.

*Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. HM Revenue & Customs requires Lloyds to take off tax from this interest. If asked, it must give Ms P a certificate showing how much tax it's taken off.

My final decision

I uphold this complaint. I require By Miles 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 Ms P to accept or reject my decision before 17 August 2022.

Fiona Robinson

Ombudsman