

The complaint

Mr T complains about how Jigsaw Insurance Services Plc (Jigsaw) cancelled his car insurance policy.

What happened

Mr T had a motor insurance policy covering his car which was arranged through Jigsaw, which is an insurance broker.

The policy was an annual insurance policy and the insurer required the annual premium to be paid up front. Mr T wanted to pay for the policy monthly so Jigsaw arranged for him to take out a finance agreement with a third-party finance provider, who I'll call C.

C paid the annual premium on Mr T's behalf, and Mr T agreed to repay the amount in line with the terms of the finance agreement. Under the terms of the finance agreement, Mr T paid a deposit and then ten further instalments.

In March 2020, Mr T made a claim under his car insurance which was settled as being his fault.

Mr T was also facing financial difficulties due to the impact of the pandemic and was struggling with a serious health condition.

During 2020 Mr T missed several payments to C, and he cancelled the direct debit for his finance agreement. Both C and Jigsaw wrote to him repeatedly to warn him about cancellation and ask for payment. Mr T made payments at various times during the year.

The policy and finance agreement remained in place until the final payment was due in mid-December 2020. This payment wasn't made, so Jigsaw wrote to Mr T and asked him to pay. Payment wasn't received, so Jigsaw again wrote to him and said his policy would be cancelled unless payment was received by 5 January 2021.

Jigsaw, C and Mr T had many conversations around this time to try and make this payment, including a partial payment, and Jigsaw told Mr T that his policy would be cancelled on 19 January. It said this date couldn't be changed because Mr T's policy was due to renew.

Because Mr T hadn't made a payment by 19 January, Jigsaw cancelled his policy. It says Mr T owes it £402.57, which is the amount left to pay under the terms of his finance agreement with C.

Mr T complained to Jigsaw. He is unhappy that Jigsaw wouldn't agree a payment plan with him. He says it acted callously towards him and didn't consider his health. Because Jigsaw cancelled his policy, Mr T says his premiums have doubled because he needs to tell his new insurers about the cancellation.

Jigsaw didn't uphold Mr T's complaint. It asked Mr T to make the payment of £402.57 to settle his finance agreement.

Mr T remained unhappy so he brought his complaint to this service. Our investigator looked into Mr T's complaint and upheld it. He said he thought Jigsaw had caused Mr T trouble and upset by cancelling his policy, so he said Jigsaw should pay him £300. He also said Jigsaw should waive the cancellation of his insurance policy so that Mr T wouldn't have to declare it in future. But our investigator also said Mr T needed to pay the remainder of his outstanding payments.

Mr T agreed with the view, but Jigsaw didn't. So this complaint has been passed to me to make a final decision.

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 was sorry to read about the very difficult circumstances Mr T has found himself in during the past couple of years. I want to assure him that I've carefully considered the evidence he's provided this service about this and would also like to take the opportunity to wish him the best moving forward.

I'm upholding Mr T's complaint, and I'll explain why.

It's important that I say that, by entering into the finance agreement with C, the insurer was paid in full by C at the start. So nothing further is owed to the insurer. The amount outstanding is owed to C as the finance provider.

I can see from Mr T's evidence that he struggled with his health throughout the period of insurance and was trying to make payments to C through Jigsaw during this time. I can also see that Jigsaw were aware of his condition as there are repeated references to it in Jigsaw's communications log. I can appreciate that this must have been a very trying time for Mr T and I think Jigsaw were trying to help him during this time. I can see that there were lots of discussions with C about how Mr T could make payments.

It's my role to look at Jigsaw's actions and decide whether what it did around cancelling Mr T's insurance policy was fair and reasonable.

When a motor insurance policy is cancelled mid-term, the insurance contract will usually say that the insurer should refund the unused portion of the premium, as long as a claim hasn't been made.

In Mr T's case, he had made a fault claim under his policy, so the insurer wouldn't need to refund part of his premium, which in turn would mean there was no refund to apply to Mr T's finance agreement.

But that means Mr T has been effectively penalised by the policy being cancelled one month early. The amount he still owes (£402.57) would be the same whether or not his policy ended when it did, or went to its full term.

It's the approach of this service that cancellation should generally only happen where a refund is payable under the terms of the insurance policy, as there's no benefit in cancelling the insurance policy if a refund isn't payable – for example in Mr T's case because he'd already made a claim.

Where a refund is payable, the benefit from cancelling his policy early would be to C's advantage, because it would reduce the amount it was owed. However there wouldn't be the

same advantage where the insurer has settled a claim because, as I say above, Mr T would still have to pay the full amount owed regardless of when the policy ended.

So, because there is no benefit to anyone from Jigsaw cancelling Mr T's policy, it, in effect, becomes a penalty for him breaching the terms of a separate finance agreement contract. And I don't think that's fair of Jigsaw to do this. Mr T's distress and inconvenience has been significant because he needed to use his car to attend hospital appointments, and I think Jigsaw should pay him compensation of £300 for this.

It's important that I remind Mr T that he owes Jigsaw the balance of his finance agreement as he had "used" the policy in making his claim.

Mr T has also complained that, by cancelling his policy early, Mr T would have to tell insurers in the future about what had happened which might have the effect of increasing his premiums.

Because I don't think it was fair of Jigsaw to have ended his policy early, I think Jigsaw should remove notice of its cancellation of Mr T's policy from its internal records, and any external databases it may have updated.

I appreciate Mr T is unhappy that his future premiums may be affected. But I can't comment on something that may happen in the future or in respect of the actions of a business that aren't part of this complaint. So I'm not going to ask Jigsaw to pay any extra for this.

My final decision

For the reasons set out above, my final decision is that I uphold this complaint. I direct Jigsaw Insurance Services Plc to:

- Pay Mr T £300 for his distress and inconvenience. This amount can be deducted from the balance owed by Mr T.
- Remove records of it cancelling Mr T's policy from its internal and any external databases.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 27 December 2022.

Richard Sowden
Ombudsman