

The complaint

Mr K complains that Business Insurance Solutions Limited (BISL) cancelled his commercial motor insurance policy after he had paid a missed premium. He wants compensation for his subsequent losses.

What happened

Mr K missed a monthly direct debit payment for his policy. BISL said it gave Mr K seven days' notice to make the payment or the policy would cancel. Mr K said he didn't receive this notice. He said the finance company gave him about two weeks in which to make the payment, and he completed this.

Mr K then had an accident but when he tried to make a claim BISL said the policy had been cancelled the previous day. Mr K incurred costs for recovery, storage, and the loss of his van.

Our Investigator recommended that the complaint should be upheld. She thought the finance company had paid BISL the full cost of the policy and Mr K had met his obligations to the finance company. So she couldn't see why BISL had cancelled the policy.

She thought it should remove records of the cancellation, reimburse Mr K for his recovery and storage costs, compensate him with £500 for his trouble and upset, and pay him the valuation of his van, with interest.

BISL replied that it had contacted Mr K about the missed payment by various means. It said it could over-rule the finance company as it was liable for any outstanding balances for the policy.

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 can see that the cancellation of his policy has caused Mr K considerable upset due to the effect on his finances and ability to work because of the loss of his van. Our approach in cases like this is to consider whether the broker's acted in line with its terms of business and fairly and reasonably.

From what I can see, Mr K's direct debit failed and so he missed a monthly premium payment. BISL wrote, emailed and called him to chase this and give notice of the pending cancellation unless the payment was made within seven days.

Mr K said he didn't receive these notifications. But I can see that they were sent to the same postal address and email address that Mr K provided to us. So I would usually say that BISL had given Mr K fair and reasonable notice of the cancellation before it cancelled the policy.

But I don't think that is fair and reasonable in Mr K's particular circumstances. This is because Mr K's credit agreement to make his monthly premium payments was with a finance company. The finance company had paid the full premium to the broker, and so Mr K repaid the finance company in monthly instalments.

When Mr K missed his payment, the finance company wrote to him giving him about two weeks to rectify this. Mr K made the payment a week later and so completed his commitment to the finance company and the loan agreement. BISL had cancelled the policy the day before this, but I can't see that it did this in communication with the finance company. And so I think the policy was unfairly cancelled.

When a business makes a mistake, as I think BISL has done here, we expect it to restore the consumer's position, as far as it's able to do so. And we also consider the impact the error had on the consumer.

To put things right for Mr K, I think BISL should remove any records of the cancellation, reimburse Mr K's costs of £607.60 for recovery and storage and retrospectively pay his claim for the loss of his van. Mr K received £200 for the van's salvage and so I think this should be deducted from the settlement. And Mr K has been without his money for some time. So I think BISL should reasonably add interest to this.

Mr K has been caused loss of use and considerable distress and upset by the cancellation and its consequences for his claim. The Investigator recommended that BISL should pay him £500 compensation for this. I think that's fair and reasonable as it's in keeping with our published guidance.

Putting things right

I require Business Insurance Solutions Limited to do the following:

1. Remove records of the cancellation from any databases where it's been recorded.
2. Reimburse Mr K £607.60 for his recovery and storage costs.
3. Pay Mr K the market value for his van at its date of loss, adding interest to this amount at the rate of 8% simple per annum from the date of loss to the date of settlement, minus £200 for salvage†.
4. Pay Mr K £500 compensation for the distress and inconvenience caused by its unfairly cancelling his policy.

†If BISL considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr K how much it's taken off. It should also give Mr K a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons given above, my final decision is that I uphold this complaint. I require Business Insurance Solutions Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 12 September 2022.

Phillip Berechree
Ombudsman