

The complaint

Mr B complains that his broker for his motor insurance, Acorn Insurance & Financial Services Ltd (Acorn), cancelled his policy but continued to charge him premiums.

What happened

I set out the background to the complaint within my provisional decision and also here.

'Mr B had an accident and on 29 March 2021 made a claim to Acorn. Acorn said Mr B's call was received by its out of hours team and so the next day when Mr B called again its agent wasn't aware of the claim. On the second call Mr B said he wanted to cancel his motor policy from 1 April as he was going abroad for a couple of months. Acorn said Mr B didn't mention his claim on the second call and Mr B said Acorn didn't send confirmation of cancellation.'

Acorn contacted Mr B on 30 March 2021 confirming his instruction to cancel his policy, saying, 'The return premium allowed by the insurer for cancellation after deduction of our £100 cancellation fee is £1456.28, the outstanding settlement on the finance ... is £1714.65. This leaves a balance payable of £258.37'. Mr B said this was what he understood about his claim when he returned to the UK in July 2021, when he took out a new policy via Acorn, with a different bank account.'

Acorn's note re the cancellation call states that Mr B called 'to cancel as he will be away for 3 months. - Agent fails to read the correct cancellation script to customer'. In its letter of 7 September 2021 Acorn told Mr B he had two policies and his policy had been cancelled. It said the policy states: 'if an incident is made or reported which may give rise to a claim under this insurance policy, the insurer will retain the whole premium whilst the claim is in the process of being settled'. Acorn said if the claim is closed as non-fault, the insurer may refund a percentage of the premium. However, Mr B's claim was settled as his fault.'

Mr B was confused as he'd cancelled his old policy and didn't know why Acorn was still taking his monthly premiums from his old bank account. Mr B complained to Acorn.'

Acorn told Mr B that despite agreement to cancel his policy from 1 April 2021 it had been cancelled from 3 March 2021, but this had been corrected. Mr B said Acorn didn't tell him that if he cancelled the policy he would have to pay a whole year's premium. Acorn said this is what his policy states. It said the policy premium was collected by instalments, but Mr B hadn't made all of the payments, leaving a balance payable of £1,456.28.'

Mr B was unhappy with Acorn's response and brought his complaint to our service. Mr B said that in order to resolve his complaint Acorn should keep his original policy because it was still taking payments... from his old bank account for his cancelled policy.'

My provisional findings and the parties' responses

In my provisional findings I said I intended to uphold the complaint. I said that Mr B called to notify a claim on 29 March 2021 and called Acorn again to cancel his policy when, contrary to what Acorn said, he mentioned his claim. The agent said he didn't need to mention it

again and emailed him to confirm cancellation, but set the cancellation date as 3 March, not 1 April as agreed on the call.

When Mr B returned to the UK in July 2021, he took out a new policy with Acorn and paid £475.58 deposit. I haven't seen anything to suggest that Acorn alerted Mr B to the fact he was still being charged his previous premium when it arranged this new policy for him. Mr B said the payments were taken from his old bank account. Acorn's previous communication of 30 March told Mr B he would be credited for the uncollected instalments for his policy.

Acorn's letter of 7 September 2021 confirmed Mr B's policy was cancelled with effect from 31 March 2021 and said the full annual premium was payable. Mr B queried this, and Acorn apologised for not explaining about the premium. Mr B told Acorn that it would have affected his decision to cancel his policy. Acorn's agent wanted to check if it was possible to '*rein old policy and NTU new one as requested.*' But the passage of time meant this wasn't possible. Acorn continued to pursue Mr B for the full annual premium of his cancelled policy.

Acorn charged Mr B the full annual premium in line with the policy terms. But made errors by cancelling it to the wrong date and not telling Mr B he was likely to be liable for the full year's premium. This information may not have been available on Acorn's system when he called on 30 March, but he provided the details to the first agent. Had this agent informed their customer service colleague that a fault claim had been made, Mr B could have been alerted to the cost of cancellation. Notwithstanding this, Acorn should have written to Mr B about this as soon as possible afterwards and at least when he took out the second policy in July 2021.

Mr B was abroad until July 2021 using a different bank account, and contacted Acorn about a new policy as soon as he returned. He said that had he known the full year's premium was payable at the time, he wouldn't have cancelled the policy. Acorn's mistake in not telling Mr B affected his choices and he cancelled a policy that he had nothing to lose and much to gain by maintaining.

The way Mr B described the accident to Acorn left little doubt that he understood he was to blame. Acorn's record states, '*PH admits he collided into TPV...*'. And so I think it very likely he wouldn't have cancelled his policy if he'd been told he would have to pay the full premium in any event, as there was no advantage to him to cancel. Although it's in Mr B's policy that he would pay full premium in these circumstances, English is not his first language and I think it was reasonable for him to rely on the information he was given by Acorn's agents.

I thought it fair to treat Mr B's original policy premiums as if they had been paid in respect of ongoing cover for the policy year, from 25 January 2021 to 24 January 2022. This means the premiums he paid for his new policy should be refunded to him or removed from his account from 19 July 2021 to 24 January 2022, but the policy should remain effective. I also thought it fair for Acorn to refund or credit Mr B the proportion of his deposit for his second policy for the same period, and all of the cancellation charge he incurred. And these should be paid or credited to him with interest.

Mr B has suffered distress as a consequence of the additional insurance premiums he's incurred and the inconvenience of trying to understand and redress what has happened. And so, I also thought it would be fair for Acorn to pay Mr B £250 compensation for the impact Acorn's mistakes had upon him.

Mr B agreed with my provisional decision. Acorn said it would respond but hasn't done so.

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 all the available evidence and arguments again to decide what's fair and reasonable in the circumstances of this complaint. Having done so I remain of the view that the complaint should not be upheld and for the reasons I have given in my provisional decision.

My final decision

For the reasons I have given it is my final decision that the complaint is upheld. I require Acorn Insurance & Financial Services Ltd to pay back or credit Mr B the following:

- the amount of the premiums Mr B paid for the second policy he took out, from 19 July 2021 to 24 January 2022:
- the amount of any cancellation charge from when Mr B cancelled his policy in March 2021:
- the proportion of Mr B's deposit for his second policy that relates to the period from 19 July 2021 to 24 January 2022.

Acorn Insurance & Financial Services Ltd should add 8% simple interest per year to the amounts Mr B has paid, from the dates each instalment of the premium until Acorn pays the redress. If Acorn Insurance & Financial Services Ltd is deducting tax from any part of the award, it should tell Mr B how much it's taken off and provide a tax deduction certificate if he requests it so he can reclaim the tax from Her Majesty's Revenue & Customs if appropriate.

I also require Acorn Insurance & Financial Services Ltd to pay Mr B £250 compensation for his distress and inconvenience.

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

Andrew Fraser
Ombudsman