

## **The complaint**

Mr C complains that Insurance Factory Ltd cancelled his motor insurance policy.

## **What happened**

Mr C took out a telematics policy through Insurance Factory. Insurance Factory said the telematics device had recorded excessive speed. And so it said it cancelled the policy, giving seven days' notice, in keeping with the policy's terms and conditions. Mr C said the policy documents that he'd received didn't say that Insurance Factory would cancel the policy for this reason. He was unhappy with the cancellation and that his full year's premium wasn't returned.

Our Investigator recommended that the complaint should be upheld. She thought Mr C hadn't been provided with the correct policy documents. And so she thought he hadn't been given enough information about the policy's terms and conditions when he took out the policy. This meant that the cancellation terms Insurance Factory relied on hadn't been brought to Mr C's attention. And so she thought the cancellation was unfair.

She thought Insurance Factory should refund the cancellation charges, remove records of the cancellation and pay Mr C £250 compensation for his trouble and upset. But she thought the premium refund was an issue for the insurer, not Insurance Factory.

Insurance Factory replied that it had sent Mr C the correct telematics policy documents when he took out his policy. It said these set out clearly that the policy may be cancelled if excessive speed is detected.

## **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 Mr C is adamant that he wasn't warned in any of the policy documents provided by Insurance Factory that his policy may be cancelled due to excessive speed. And I can see that the cancellation has had an adverse impact on his finances and social life.

Mr C took out his policy through an online comparison site. He was then provided with a Welcome Letter from Insurance Factory and directed to an application to download his policy documents. Mr C understood that he was buying a telematics policy and he installed the "black box" provided.

Mr C provided us with the documents that he said he downloaded from the application. I can see that the policy schedule and certificate refer to a telematics policy. But the Insurance Policy Information Document (IPID) and policy booklet refer to private car insurance, not telematics. Also, the Welcome Letter refers to private car insurance although it directed Mr C to the application and the black box installation.

Insurance Factory states that it would have sent the correct telematics policy documents to Mr C via the application. Its evidence is a screenshot of the documents sent. But I can't see from the screenshot whether or not these were the documents for the telematics policy.

Cancellation of a policy due to excessive speed is a common term in telematics motor insurance policies I've seen, and I don't think it's unusual or unreasonable. But it is significant, and I would expect it to be set out in the policy wording and in the IPID. I can see that the exclusion is clearly set out in the telematics policy provided by Insurance Factory. But I can't see that the policy term is set out in the documents that Mr C said he downloaded via the application.

Insurance Factory thought Mr C may have obtained these documents from another policy. But Mr C has explained that he didn't and that they were the ones he downloaded. Unfortunately Mr C no longer has access to the application following the cancellation, so he can't provide further evidence for this.

In these particular circumstances, I can't safely say that Insurance Factory made Mr C sufficiently aware of the policy terms and conditions when he took out his policy. So I can't say that Mr C was able to make an informed choice at point of sale that the policy suited his needs. And I can't say that cancellation due to excessive speed was drawn to Mr C's attention so that Insurance Factory could rely on it to cancel his policy. So I think the cancellation was unfair.

When a business makes a mistake, as I think Insurance Factory 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.

Having the cancellation on his record has affected Mr C's ability to find affordable cover elsewhere. So I think Insurance Factory should remove records of the cancellation and confirm this to Mr C and reimburse any cancellation charges or fees it applied, with interest as Mr C has been without his money for some time.

Mr C has also been caused considerable trouble and upset. The Investigator recommended that Insurance Factory should pay Mr C £250 compensation for this. I think that's fair and reasonable as it's in keeping with our published guidance for this level of impact.

Mr C also explained that he'd only had two months' cover when he'd paid for a full year. But it's the insurer's decision to retain the full premium if there is an open claim on the policy. So I think this is something Mr C would have to raise with the insurer, not Insurance Factory, his broker.

### **Putting things right**

I require Insurance Factory Ltd to do the following:

1. Refund Mr C any charges (fees and commission) resulting from the cancellation, adding interest at the rate of 8% simple per annum from the date the policy was cancelled until the date the payment is made†;
2. Ensure that any record of the cancellation is removed from internal or relevant external databases and provide Mr C with written confirmation that this has been done.
3. Pay Mr C £250 for the distress and inconvenience the cancellation has caused him.

†If Insurance Factory considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr C how much it's taken off. It should also give Mr C 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 Insurance Factory Ltd to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 30 September 2022.

Phillip Berechree  
**Ombudsman**