

The complaint

Mr S complained that Right Choice Insurance Brokers Ltd , his insurance broker, unfairly cancelled his motor insurance policy.

What happened

Right Choice cancelled his motor insurance policy on 7 December 2021 because they said he wasn't up to date with his premium instalment payments. Mr S said he didn't know about this and only found out on 13 December when the police stopped him for driving without insurance and confiscated his car. He thought that he had made the payments and Right Choice had made a mistake in cancelling his policy. He wanted them to accept responsibility.

The investigator thought that the complaint should be upheld and made recommendations for redress. Right Choice didn't agree and so the case has been passed to me to decide.

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.

Right Choice said they cancelled his policy because he was in arrears with payment of his premiums.

When Mr S took out his policy he also took out an agreement with a finance company to enable him to pay the annual policy premium monthly. He did this by paying the finance company by monthly direct debits.

Right Choice phoned Mr S on 10 November about arrears on his policy. I've listened to the recording of that call. Right Choice's adviser explained that Mr S owed one month's premium plus charges on it. Mr S told the adviser that he was confused about owing Right Choice anything, and he asked the adviser to give him a breakdown of what Right Choice said he owed. The adviser agreed that Mr S could pay the arrears direct to the finance company rather than to Right Choice. This was to avoid an extra charge that Right Choice would impose. Mr S did then pay those arrears to the finance company. However Right Choice's adviser in the 10 November call had made a mistake about what Mr S owed and didn't tell him the correct amount.

Right Choice later decided that Mr S had also missed two previous payments, and so later said that Mr S owed that direct to Right Choice because Right Choice had paid the finance company for those. The finance company hadn't told Mr S about this either. I'll call this "the other amount".

Right Choice admitted that the adviser didn't tell Mr S the correct amount on 10 November because they were not aware of the other amount then, as this only came to light later. Due to this Right Choice apologised to Mr S and waived the policy cancellation charges and offered a slight reduction to his outstanding balance.

Mr S couldn't understand that he had arrears, or why Right Choice had cancelled his policy. He provided bank account evidence of the direct debits to the finance company. Right Choice disputed that the finance company was in fact able to collect the direct debits, but they haven't been able to show us confirmation of that from the finance company. So it's still not clear whether Mr S did in fact owe the other amount. But even if he did, Right Choice still had to treat him fairly.

Right Choice accepted that in their 10 November call they could have been clearer about how much they said Mr S owed. They also acknowledged that if Right Choice had given him the correct information and contacted him the cancellation of the policy may not have happened. But Right Choice still felt justified in cancelling as he might not have paid the full arrears even if they had told him about it.

I don't agree with that approach, and I don't think that Right Choice were at all clear with Mr S. In the November call Right Choice misinformed Mr S about what he owed. He paid that amount but after that Right Choice didn't contact him again until their emailed letter of 30 November which told him about the other amount and warned him that they would cancel the policy if he didn't pay it in seven days. Right Choice followed this with an emailed letter on 7 December and a text too, both of which confirmed that Right Choice had cancelled his policy.

Mr S said he didn't receive these as he was having problems accessing his email. While I have no reason to disbelieve that, Right Choice said that they emailed them and, if so, it would not be their fault if they were not received. Right Choice said they cancelled fairly because they followed their policy and regulatory requirements. However, I also have to look at whether it was fair of Right Choice to cancel and whether they gave Mr S enough notice.

I don't think they did in these circumstances. Right Choice's letter of 30 November didn't explain how the other amount allegedly owed was calculated and didn't refer to the conversation on 10 November. Nor did it refer to the arrears that Mr S had paid and how that related, if at all, to the other amount. So even if Mr S did in fact owe Right Choice that other amount, I don't think that Right Choice explained it well enough or gave him enough chance to deal with it, even though he'd already told them he was confused about how much he owed and why. I don't think that Right Choice had a good enough reason to cancel his policy as quickly as they did on only one warning letter.

If Right Choice had explained it to him adequately, he may have been able to pay any outstanding balance. After all, he had paid the arrears after the 10 November call. I think that Right Choice should have done more to warn Mr S about the arrears before they cancelled his policy. As the consequences of driving without insurance are so severe, I don't think one warning letter was enough and Right Choice should have contacted him again before cancelling.

Mr S tells us that because Right Choice cancelled his policy he has been charged with driving without insurance and is to appear in court. This could have significant adverse repercussions for him and it's understandable that he is worried about this. I can also see that it must have been embarrassing to have been stopped by the police and have his car impounded and dealing with that situation overall must have been stressful too. So I think that Right Choice should pay him £300 compensation to acknowledge that and reflect the stress their actions would have caused him.

They should also refund him any impound charge he had to pay to get his car back after it was impounded, plus interest on that.

I think Right Choice should make sure any record of his cancelled policy is removed from any internal or external database, to prevent an adverse impact on his future premiums.

Right Choice should also provide Mr S with a letter of indemnity explaining that Right Choice cancelled the policy due to their error, so he can speak to an new insurer about them rerating his premiums, and so he can provide this to the police or any other interested parties if necessary..

My final decision

For the reasons given above, it's my final decision that I uphold this complaint.

I require Right Choice Insurance Brokers Ltd to do as follows:

- Remove any record of Mr S's policy cancellation from any internal or external database.
- Refund to Mr S any car impound fee that he may have had to pay after he was stopped by the police.
- Pay him 8% simple interest from the date he paid this, to the date Right Choice settle it.
- Provide Mr S with a letter of indemnity to explain it wasn't his fault his insurance was cancelled.
- Only charge Mr S for his time on cover and waive any charges caused by the cancellation.
- Pay Mr S £300 compensation.

Right Choice must pay the compensation within 28 days of the date on which we tell them Mr S accepts my final decision. If they do so later than this they must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

If Right Choice consider that they are required by HM Revenue & Customs to deduct income tax from interest, they should tell Mr S how much they've taken off. They should also give Mr S a tax deduction certificate if Mr S asks for one, so Mr S can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 12 January 2023.



Rosslyn Scott
Ombudsman