

The complaint

Mr W has complained about Southern Rock Insurance Company as it cancelled a car insurance policy for a car which was impounded.

What happened

Mr W arranged cover in 2019. The car covered by the policy was, at that time, impounded by the police and Mr W needed the cover in order to retrieve the car. On the first day of cover Southern advised it couldn't and wouldn't offer cover for impounded cars. But it said it was considering what to do. Southern later cancelled the policy and logged the cancellation as an "inconsistency" on an industry database.

In 2021 Mr W noted he was having difficulty getting cover. He became aware of the cancellation recorded by Southern. He contacted it to complain. Southern said it had been entitled to cancel and the matter had been logged correctly. It noted some detail Mr W gave at that point and said if it had been made aware of that in 2019, that would likely have given it further cause to either not offer cover or cancel it. Mr W complained to us.

Our Investigator felt that Mr W likely hadn't known he'd needed specialist insurance. She felt that Southern hadn't acted fairly. She said the relevant records should be amended to remove the inconsistency marker and show that Mr W cancelled the policy. She also recommended £300 compensation.

Mr W didn't object to the findings but Southern did. It argued that the detail it had discovered in 2021 meant the cancellation record – logged for different reasons – should remain. The complaint was passed for an Ombudsman's 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 can see why Southern had concerns about what it found out in 2021. But as Southern has admitted that detail was not known in 2019. And it's the cancellation in 2019, complete with Southern's reasons, as they existed at that time, for it doing that, which I have to assess here.

A policy was arranged which did not suit Mr W's needs. But detail Southern has supplied satisfies me that Mr W would not have been aware of that when arranging cover. Quite simply the insurance application did not ask whether or not the car was impounded. The policy documents did say that a car being impounded might allow the insurer to cancel the cover. But I don't think that detail – buried within the policy terms and conditions – was something I could fairly say Mr W should reasonably have been aware of when arranging the cover.

Further, because the application did not ask about the car being impounded, Southern didn't know its policy was unsuitable for Mr W either. Not until the calls which took place on the day

cover began. Whilst the policy terms allow Southern to cancel cover in this instance, I think it applying that term in these circumstances was unfair and unreasonable of it.

Southern is aware that cancellation by an insurer can impact a policyholder. And I think it was very clear to Southern, from the first day of cover, that this policy was simply unsuitable for Mr W's needs. The fair thing, in that situation, I think would have been for the policy to end with Southern recording that as cancellation by Mr W. It makes sense to me that the record is now corrected to how it should reasonably have been recorded in the first place.

Further, Mr W has reported difficulty in recent times in finding cover. I think it's likely the detail Southern recorded on the industry database has impacted that. And, as I've said, reasonably that record shouldn't have been made. It follows that I think Southern should pay Mr W compensation. I'm satisfied that £300 is fair and reasonable in the circumstances.

Putting things right

I require Southern to:

- Remove the "inconsistency" record logged against Mr W's name.
- Change its own and any industry databases to show that Mr W cancelled the policy in 2019.
- Pay Mr W £300 compensation.

My final decision

I uphold this complaint. I require Southern Rock Insurance Company to provide the redress set out above at "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 6 December 2022.

Fiona Robinson
Ombudsman