

## **The complaint**

Mr N is complaining that U K Insurance Limited (UKI) has recorded a default marker on his credit file.

## **What happened**

Mr N took out a buildings and contents insurance policy with UKI. He was introduced to the policy by his bank's relationship bank manager. During a subsequent review with this manager, it became apparent the policy was no longer suitable for him as he'd moved address so the manager advised him to cancel his direct debit.

UKI then wrote to Mr N by post to the address it had on file advising him that it would cancel the insurance policy if he didn't reinstate the direct debit. Mr N didn't respond so UKI cancelled the insurance policy and it wrote to him to advise him as such, but also said he still owed £14. It sent further letters asking him to pay the £14 otherwise it would default the account. Mr N didn't respond, so UKI applied a default.

Mr N later learnt about the default when he was declined for a mortgage application. He complained to UKI and said he hadn't received the letters as he'd moved house. And he asked it to remove the default. UKI didn't think it had done anything wrong, so it didn't agree to remove the default.

Our investigator upheld the complaint as it thought UKI should have used more than one method of communication – such as email or telephone – to alert Mr N, firstly of the impending cancellation, and secondly that he still owed money. So she thought UKI should remove the default from his record.

UKI didn't agree with the investigator's opinion. It said the terms of the policy entitled it to cancel the insurance policy. It said the industry regulator didn't require it to use a different communication method. So it asked for an ombudsman to review this complaint.

## **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 decided to uphold this complaint and I'll now explain why.

Firstly, it's not disputed that UKI was entitled to cancel the insurance policy under the terms of the insurance policy and Mr N hasn't complained about this. His issue is that UKI has defaulted his credit file.

Mr N took out a buildings and contents insurance policy provided by UKI. Mr N was required to pay an annual premium which was payable at the start of the policy. Mr N wanted to pay for the premium in monthly instalments. To enable him to do so, he took out a separate finance agreement - also provided by UKI. The annual premium was financed by this finance agreement and Mr N agreed to repay it in monthly instalments under the terms of the finance

agreement.

When the insurance policy was cancelled, a premium refund was generated and applied to the outstanding balance on the finance agreement. However, this left a remaining amount to pay of around £14. UKI asked Mr N to pay this but, as he didn't, UKI applied a default. I don't think UKI was entitled to do this due to the lack of communication from Mr N, but I need to think about whether UKI is responsible for Mr N not responding. I think it is.

UKI has said the FCA doesn't require it to use more than one method of communication, but I also need to think about what's fair and reasonable. Owing to the potential significant implications of having an insurance policy cancelled and having a default recorded on a credit file, I would expect an insurer/finance provider to take reasonable steps to contact a consumer.

I think they should be wise to the fact that one of the reasons why someone may not be responding to communication is that they aren't receiving the correspondence. UKI asked Mr N to provide a telephone number and email address when he first applied for the insurance policy. I don't think it's fair that UKI *only* used post to communicate with Mr N and I would have expected it to also look to try and contact Mr N by email and/or telephone. Had it done so, I'm satisfied Mr N would have responded immediately and paid the outstanding balance before the default was issued.

So I think UKI has treated Mr N unfairly and he's lost out as a result. And I think UKI should remove the default marker and any late payment markers from his credit file. I don't hold UKI responsible for the policy's cancellation and any implications that may have arisen from this. Mr N should raise this with his bank manager if he feels he was given misleading advice in this regard.

### **My final decision**

For the reasons I've set out above, it's my final decision that I uphold this complaint and I require U K Insurance Limited remove the default marker and also any late payment markers from Mr N's credit file. I don't award anything else.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 2 March 2023.

Guy Mitchell

**Ombudsman**