

The complaint

Mr H has complained that U K Insurance Limited trading as Privilege (UKI) unfairly cancelled his car insurance policy.

What happened

Mr H bought a car insurance policy with UKI in January 2022. In July 2022 he called UKI as Mr H owed a monthly premium. He asked to make a partial payment. The agent accepted the partial payment. The agent asked Mr H when he could make the balance payment. He said the 16th (July). The agent told Mr H that he needed to call back and pay the balance payment by the agreed date of 16 July 2022 or his policy would be cancelled.

Mr H didn't call back and on 18 July 2022 he called as he'd received an email from UKI confirming his policy had cancelled. He said he'd made arrangements a couple of weeks before for the deadline to pay to be extended to 22nd July 2022.

The agent agreed to listen to the key call and call Mr H back to discuss.

UKI didn't call Mr H back and on 1 August 2022 he raised a complaint.

UKI upheld the complaint that it had failed to call Mr H back when promised. For this it paid him £20 compensation.

But it said it had correctly cancelled the policy - as in a call on 12 July 2022 it said it had made it clear that the policy would cancel if he didn't make the balance payment by 16 July 2022.

Mr H asked us to look at his complaint. He provided copy letters sent by UKI after 16 July 2022 which asked him to pay a balance by 31 July 2022 to prevent his policy from being cancelled. He said he felt misled by UKI.

Our Investigator issues two views. In the first view she thought UKI had caused confusion and misled Mr H by its letters after 16 July 2022 - as they gave a deadline of 31 July 2022 to make payment and to prevent the policy from being cancelled. And UKI had incorrectly told Mr H he had cancelled the policy, when he hadn't.

For this the Investigator recommended UKI pay Mr H a further £100 compensation, remove any record of the cancellation and offer Mr H the option to reinstate the policy.

UKI didn't agree. It asked the Investigator to listen to the key call on 12 July 2022.

The Investigator did so and issued a second view. She thought UKI should still pay Mr H compensation of £100 for the confusion it caused by its letters after it cancelled the policy on 16 July 2022. But she thought UKI had made it clear in the phone call on 12 July 2022 that the policy would be cancelled if Mr H didn't call by 16 July 2022 to make the balance payment. As Mr H didn't call UKI by this date to make payment, she thought UKI had correctly cancelled the policy - and Mr H was aware this would happen. So she no longer recommended UKI remove the record of cancellation, or offer Mr H the reinstatement of the policy.

UKI agreed with the Investigator's second view. Mr H didn't agree. He says UKI misled him by the letters it sent after 16 July 2022 and this is unfair. He wants UKI to remove the cancellation record as this is affecting his ability to buy insurance.

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.

I've listened to a recording of the call between Mr H and UKI on 12 July 2022. Mr H called UKI to discuss an overdue payment following a letter he received dated 1 July 2022. In this letter UKI said Mr H would need to bring the policy up to date by 15 July 2022 to prevent it from being cancelled.

Mr H asked if he could make a partial payment on 12 July 2022. The agent agreed - and asked Mr H when he would be able to make the balance payment. Mr H gave a date of 16 July 2022.

I think UKI's agent was very clear in this phone call. She told Mr H that he needed to call back by 16 July 2022 to make the balance payment - if he didn't the policy would be cancelled. Mr H confirmed his understanding and thanked the agent for her help.

However, Mr H didn't call back by 16 July 2022 and he didn't pay the balance payment. So I can't say that UKI's decision to cancel Mr H's policy was incorrect or unfair.

I can understand why Mr H is upset about receiving letters dated 17 and 18 July 2022 from UKI which gave a deadline of 31 July 2022 to make a balance payment to prevent the policy from being cancelled. This was clearly an error on UKI's part.

For the confusion caused by its error, I think UKI should pay compensation to Mr H. But I don't think this error means UKI's cancellation of Mr H's policy on 16 July 2022 should be reversed. This is because I think UKI's actions up to the cancellation date were reasonable.

I understand that Mr H is very upset about the consequences the cancellation of the policy has had on his ability to afford a replacement policy. But I think UKI has treated Mr H in a fair way and how it would treat any other customer in the same circumstances. If Mr H had called and made payment by 16 July 2022, UKI wouldn't have cancelled his policy.

I think UKI should pay compensation of £100 for the confusion it caused by its letters sent after 16 July 2022 - and by incorrectly advising Mr H that he'd cancelled the policy when he hadn't.

I appreciate this isn't the outcome Mr H wants - but I think it's a fair outcome overall.

My final decision

My final decision is that I uphold this complaint in part. I require U K Insurance Limited trading as Privilege to pay Mr H £100 compensation in addition to the £20 it's already paid for the confusion it caused by its communication after it cancelled the policy on 16 July 2022.

U K Insurance Limited trading as Privilege must pay the compensation within 28 days of the date on which we tell it Mr H accepts my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision to the date of payment at a simple rate of 8% a year.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 6 March 2023.

Geraldine Newbold
Ombudsman