

The complaint

Mr M complains Hastings Insurance Services Limited cancelled his car insurance policy.

What happened

In September 2021, Mr M took out a car insurance policy through Hastings, a broker. He agreed to pay the annual premium in monthly instalments and so Hastings arranged for him to take out a finance agreement with it.

In June 2022, Hastings tried to collect the monthly instalment, but it was told the direct debit mandate had been cancelled. It contacted Mr M on seven different occasions in June to ask him to reinstate the direct debit and make the missed payment. It contacted Mr M in several different ways on each occasion including text message, post and email but didn't hear anything back from him or receive any payment.

On 3 July, Hastings cancelled Mr M's car insurance policy and the next day it wrote to him to let him know. It said Mr M still owed £50.23 on the finance agreement which included a cancellation fee of £45.

Mr M explained he didn't realise the direct debit had been cancelled. And his phone had been cut off due to financial difficulties which meant he wasn't able to receive text messages or emails and he didn't receive any letters from Hastings. Mr M says when he did get his phone reconnected, he saw the emails and got in touch with Hastings on 5 July but he was told it was too late.

Mr M complained to Hastings as he was unhappy his policy had been cancelled and shared information about his financial situation. Hastings said if Mr M had contacted it sooner to advise of his financial difficulties, it would've been able to put a hold on the cancellation. But, as he didn't do this, it was right to cancel his policy in the circumstances.

Mr M came to this service. Our Investigator considered matters and thought Hastings was within its rights to cancel the insurance policy when it did. However, they felt that, once Mr M had told it about his financial difficulties, it failed to react with sympathy and understanding or treat Mr M fairly. As a result, they asked Hastings to remove the £45 cancellation fee.

Hastings disagreed. It said:

- Mr M's financial difficulties were shared after the cancellation.
- There wasn't a sufficient reason why it should waive a correctly charged a fee which had been set out in the terms and conditions.
- The only issue this service should be considering in this matter is whether Hastings acted fairly when it cancelled the policy and the Investigator had concluded it did.

Our Investigator explained to Hastings our inquisitorial remit allows us to consider what we feel a business should've looked at when dealing with a complaint. This means we're expected to do more than just look at a complaint as it's written or explained to us. And, having done so, they took into account the Financial Conduct Authority's (FCA's) guidance in

relation to the cancellation fee. The FCA guidance sets out that waiving cancellation fees is something a business should consider where they become aware a consumer is in financial difficulties. And, Hastings had the opportunity to waive the cancellation fee but chose not to do this, instead pursuing Mr M for a debt of £50.23. This is when the Investigator considered the fair and reasonable thing for Hastings to do would be to remove the £45 cancellation fee.

Hastings responded to say it doesn't feel waiving the fee is treating customers fairly. It has a process to aid customers in financial difficulty and followed this in Mr M's case. It also considers a decision to waive the fee for Mr M unfair as it wouldn't do this for others.

This matter has now been passed to me for a 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.

Having done so, I'm satisfied the Investigator reached a fair outcome here. So, I uphold Mr M's complaint in this matter and require Hastings to waive the cancellation fee of £45 along with any additional interest and charges accrued due on it. I'll explain why.

Policy cancellation

Hastings was informed that Mr M had cancelled the direct debit mandate. As a result, he failed to make his monthly payments in June and July 2022. This meant his finance agreement was in arrears.

Under its terms of business, Hastings is entitled to cancel the insurance policy where a consumer doesn't make one of the monthly payments. However, it needs to do so acting fairly and reasonably. Given the significant implications of cancelling an insurance policy, I'd expect to see Hastings give Mr M an opportunity to sort things out before it cancelled the policy. This is what it did - Hastings wrote to Mr M about the missed payment and cancelled direct debit mandate on seven separate occasions, generally using three different methods of communication each time.

Taking the above into account, I consider Hastings acted fairly and reasonably when it cancelled Mr M's car insurance policy on 3 July 2022.

Cancellation fee

I don't consider Hastings' decision to continue to charge the cancellation fee it had applied on 3 July, after it spoke to Mr M on 5 July, to be fair and reasonable.

Firstly, I think it's important to explain it's our job to take an impartial look at complaints. So, it follows we must look at them in the same way we expect a business to, that is, by looking at the substance of a complaint. It's my view the cancellation fee is part of the whole picture of Mr M's complaint about Hastings cancelling his car insurance policy. The Investigator sent her first view to Hastings in November 2022, and it has been communicating with them about this since then so I'm also satisfied I have the relevant information to make a finding on it in this decision.

The letters sent by the FCA in 2022 to insurance industry CEOs reminded firms to consider a range of options for consumers in financial difficulties, including cancelling any charges. This guidance wasn't new – it builds on existing FCA rules and principles including the following.

- The Consumer Credit Sourcebook (CONC) sets out examples of treating a customer with forbearance and due consideration, which includes a firm considering waiving or cancelling any further interest or charges where, otherwise, the debt would escalate.
- PRIN 6 states '*A firm must pay due regard to the interests of its customers and treat them fairly*' (FCA, Principles for Business).

Considering the FCA letters, CONC and PRIN 6, it's my view Hastings should've waived the cancellation fee of £45 when it spoke to Mr M on 5 July 2022. This is because of the financial difficulties he described and the fact that adding this charge would only lead to the debt of someone who is already in financial difficulties escalating further.

Hastings refers to other ways to help consumers in financial difficulties. Considering Mr M's policy had already been cancelled, I consider it likely these had limited application to his situation. Even so, the guidance is clear - cancelling or waiving a charge is one of the options Hastings should've considered. If it had, I consider it fair and reasonable for it to have waived the fee.

I note Hastings has drawn parallels with cancellation fees it may seek to charge in other matters. But we look at the facts of each individual complaint in deciding whether we think the matter has been handled fairly and reasonably. This is therefore a decision to require Hastings to waive the cancellation fee it has continued to charge Mr M in this particular matter after discovering his financial difficulties and in light of the FCA guidance.

Putting things right

To put things right, Hastings Insurance Services Limited must waive the cancellation fee of £45 - as though this had been done on 5 July 2022 - along with any additional interest and charges that have accrued due on it.

My final decision

I uphold Mr M's complaint. To put things right, Hastings Insurance Services Limited must take the steps set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 24 July 2023.

Rebecca Ellis
Ombudsman