

The complaint

Mr H complains that Domestic & General Insurance Plc (D&G) cancelled his insurance policy without his knowledge.

What happened

To summarise, in February 2020 Mr H bought a ring. At the same time he took out insurance to protect his purchase.

In July 2021 Mr H used a 'thank you' benefit available to him, going to the retailer to have his ring rhodium plated.

In May 2022 Mr H noticed that the direct debit for his insurance was no longer being taken. He contacted D&G to find out what had happened. Initially, he was told the policy had been cancelled after he'd claimed and was told to contact the retailer. Mr H explained he'd not made a claim on his policy, but had simply used one of the 'thank you' benefits.

The retailer told Mr H his issue might be part of a wider problem and directed him to D&G. Mr H complained to D&G. His complaint was upheld and D&G paid him £10 to reflect the situation. D&G confirmed it was asked to cancel the policy by the retailer. It also told Mr H it couldn't set up a new policy or reinstate one in these circumstances.

Mr H remained unhappy, so brought his complaint to the financial ombudsman. Our investigator upheld the complaint. He thought D&G should've notified Mr H in writing that his policy had been cancelled. He said D&G should pay Mr H a further £50 compensation, to better reflect the overall situation.

Mr H didn't accept our investigator's outcome, so asked for an ombudsman to make a final decision.

After reviewing the complaint I issued a provisional decision to both parties. In it I said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

This complaint arises from a miscommunication between the retailer and D&G. I've seen evidence of an electronic instruction sent from the retailer to D&G, stating the ring was beyond economic repair. This prompted D&G to cancel the policy, as this instruction usually means the retailer had offered a replacement, resulting in a cessation of cover, in line with the policy terms. Mr H wasn't notified that his policy had been cancelled.

I've reviewed the policy terms and conditions, particularly the sections entitled 'replacements' and 'our right to cancel your policy or bring it to an end'. 'Our right to cancel' sets out scenarios in which D&G may or will cancel a policy. Bullet points one and four of that section are relevant here:

'1. If at any time we replace your product, your policy will automatically end and no refund will be due (see 'Replacements' above)

4. In each case, we'll confirm any such ending or cancellation of the policy in writing to the last address you gave us.'

It's accepted confirmation wasn't sent to Mr H and I think D&G made a mistake here in failing to follow its own terms. Unfortunately, this failure meant that Mr H wasn't aware his policy had been cancelled and was denied the opportunity to take prompt action to investigate the situation. Given that Mr H contacted D&G when he realised his direct debit was no longer being taken, I'm satisfied he would've taken similarly prompt action upon receipt of a cancellation notice. So I think D&G has something to put right.

My role is, as far as possible, to put the customer back in the position he would have been in, but for any errors. D&G cancelled Mr H's policy without his knowledge and didn't send a cancellation notice. Had it not done so, his cover would've continued uninterrupted. But, Mr H would also have continued to pay his premiums.

D&G has said that as this was a point-of-sale policy, it cannot write a new policy or reinstate the cancelled cover. It says it doesn't sell the insurance. I accept D&G did not sell the original policy. I don't intend to ask D&G to sell a new policy. However, I do not find D&G's assertion that it can do nothing plausible or acceptable. From time-to-time things go wrong. I would expect an insurer to have systems in place to be able to rectify errors, so that customers don't lose out. So, D&G should reinstate Mr H's cover from the date of cancellation, or arrange for him to be provided with a policy of the same duration, terms and premium, so that he's not at a detriment as a result of the mistake. If D&G needs to liaise with the retailer to reinstate or arrange cover, it should do so.

I'm aware D&G has paid Mr H £10 to reflect the situation. I think it needs to go further in compensating Mr H for the distress and inconvenience this situation has caused. Through no fault of his own Mr H's policy was cancelled without his knowledge. When trying to resolve this situation Mr H had to deal both with the retailer and with his insurer. From what I've seen there was no substantive acceptance of responsibility, with both parties directing Mr H to the other. Mr H's policy covered an engagement ring, something of particular personal significance to him and an item for which he clearly wanted protection. I think D&G should pay Mr H a further £190 compensation to reflect the upset and inconvenience caused.

In order to put things right I'm intending to direct D&G to:

- reinstate Mr H's cover from the date it was cancelled, or arrange for Mr H to be provided with a like-for-like policy, as I've set out above. If cover is reinstated as if it had never been cancelled, D&G would be entitled to deduct from the compensation award the cost of the premiums that would have been paid between the dates of cancellation and reinstatement.*
- pay Mr H £190 compensation for the distress and inconvenience this situation has caused.*

Mr H has also said he's lost out on additional benefits that would've been available to him under the policy. I can see from the policy terms that these are identified as non-insurance 'thank you' benefits, so not an aspect of the contract I can make findings on. But I will say that if cover is reinstated, as if it had never been cancelled in the first place, I would also expect those benefits to be part of that reinstatement.

Mr H accepted my provisional decision. D&G indicated it was looking at options to restore cover for Mr H. It later confirmed it was not possible to reinstate the cancelled policy, so a new policy was set up. Mr H confirmed he'd received policy documents. He also inquired about his compensation and vouchers.

In light of these responses I'm now able to issue my final 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 am upholding this complaint.

In my provisional decision I said D&G should reinstate Mr H's original policy or arrange for like-for-like cover. D&G has said reinstatement wasn't possible. So I think it's reasonable to provide like-for-like cover instead.

I also said that if the original policy were reinstated, as if it had never been cancelled, D&G would be entitled to deduct the premiums Mr H would've paid between the dates of cancellation and reinstatement from the compensation award. However, that's not what's happened here. As Mr H has been given a new policy, D&G is not entitled to offset the value of any premiums that would've been due, had the original policy not been cancelled. So it must pay the full compensation amount.

Finally, Mr H also inquired about his policy vouchers or 'thank you' benefits. In my provisional decision I explained that I could not make findings about the vouchers as they were non-insurance benefits. I did indicate that if reinstatement were possible, I would expect vouchers to be part of that reinstatement. However, that's not the case here, as Mr H has been issued with a new product. And it's only the *insurance* terms I can direct to be comparable.

Putting things right

To put things right, D&G should:

- provide replacement cover for Mr H, with terms comparable to the original policy.
- pay Mr H £190 compensation for the distress and inconvenience this situation has caused.

My final decision

My final decision is that I uphold this complaint. I direct Domestic & General Insurance PLC to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 17 February 2023.

Jo Chilvers
Ombudsman