

The complaint

Mr R complains about the way Skyfire Insurance Company Limited ("Skyfire") cancelled his car insurance policy and how this has been recorded on the insurance database.

What happened

Mr R says he met an individual through a mutual friend and asked him to help take out an insurance policy on his behalf on the understanding that he was a legitimate broker. Mr R says he sent his details to the individual who then confirmed to Mr R that he was now insured. Around six weeks later, and after Skyfire undertook some checks, they contacted Mr R to say his policy would be cancelled as he'd used an unauthorised broker – also referred to as a ghost broker. The policy was then cancelled and Mr R says Skyfire reported this on the insurance database as fraud, so he complained. Skyfire responded and explained they'd made the correct decision to cancel the policy and were unable to amend how they'd logged the cancellation. They also explained this was a material fact which would need to be declared to any future insurer.

Our investigator looked into things for Mr R. He thought Skyfire had acted unreasonably in the way in which they cancelled the policy so he recommended they remove the record of them cancelling the policy from any database and also pay Mr R £400 compensation. Mr R agreed but Skyfire disagreed so the matter has come 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've decided to uphold the complaint. And, I think the investigator's recommendation here is a fair way to resolve matters.

My starting point is Mr R's car insurance policy booklet. This sets out the terms and conditions and, under the heading 'Fraud' it says, *"If you or anyone acting for you buys a policy with the insurer using an unauthorised intermediary or insurance broker, your policy will be cancelled..."*

There doesn't appear to be any dispute that Mr R used an unauthorised broker to take out the policy. So, I can't say Skyfire have acted against the terms and conditions by cancelling the policy once they became aware of discrepancies that were linked to the ghost broker. But, I've looked to see whether, in the circumstances of this case, this was a reasonable step for Skyfire to take.

Mr R says he placed his trust in the ghost broker as they shared a mutual friend. He says, not only did the ghost broker refer to himself as a broker, but his friend also assured Mr R he was a broker. And given that Mr R met him face to face and Mr R was assured by his friend he would get a better price by using him, he believed he was a legitimate broker. Mr R says he made no payment to the ghost broker but to the insurer direct. Mr R has also provided screenshots of a text message he received from the ghost broker and his response. I've seen these and the ghost broker's text asks for information to help him apply for a policy on

Mr R's behalf. This includes key questions which many, if not all, insurers ask during the sales journey – and Mr R provides his response to these by text. I understand Mr R then received the policy documents, and the Statement of Fact and Policy Schedule records the same information which Mr R provided in his text response to the ghost broker.

Skyfire have provided details of their call with Mr R which they believe shows Mr R knew or should've known he'd used a ghost broker. During this call, Mr R explains he was sat with his friend of 10 years when he took out the policy – and he asked him to arrange this as Mr R didn't know how to do it. The call handler then asks Mr R where the policy was taken out and Mr R informs them of the city and area. The call handler asks for the ghost broker's full name, but Mr R is only able to give his first name. Skyfire say Mr R claimed his friend took out the policy, but he couldn't provide further information about them even though he claimed he knew them for 10 years.

I've considered both parties' accounts and the information, and carefully thought about whether I believe Mr R should've known or at least realised something wasn't right. And I'm persuaded by Mr R's account that he genuinely believed he was dealing with a legitimate broker. There's two points here which I find most persuasive, firstly, the questions asked by the ghost broker are all relevant and necessary questions asked during a sales journey. Secondly, the documents Mr R received had the correct details on them and they recorded the answers given by Mr R to those questions. I understand why Skyfire would be suspicious about Mr R not knowing more information about someone he claims to have known for 10 years. But Mr R's account of how he met this individual does provide a reasonable explanation on why he didn't have any further details beyond those he provided during the call. So, even though Mr R only has limited information about the ghost broker, this doesn't demonstrate that he clearly knew or should reasonably have known the individual was a ghost broker.

Given the information I've seen, I believe Mr R has been the victim of a ghost broker here. So, I don't think it was fair and reasonable for Skyfire to cancel his policy without giving him the option of cancelling it himself first. I think if Skyfire had given Mr R the option of cancelling his policy himself, instead of them cancelling it, it's most likely he would've taken that option. So, to put things right I think Skyfire should record the cancellation as though Mr R had cancelled it. They should also update any internal or external databases to show Mr R hasn't had this policy cancelled by them. Mr R says there's now a fraud marker showing on an insurance database which relates to this policy. If that is the case, then given that I don't believe Mr R was aware or should've been aware he'd used a ghost broker, I don't think it's fair for a fraud marker to be recorded against Mr R here. So, Skyfire should remove this from any database to ensure it doesn't appear against Mr R.

Finally, I can see this has caused Mr R a significant amount of upset, worry and inconvenience. Mr R explains he has had another policy cancelled as a result of the fraud marker and he's now finding it difficult to obtain another policy. I don't think a cancellation in the circumstances of this case was unreasonable but, had Skyfire given Mr R the opportunity to cancel the policy himself, it's unlikely he would've faced these ongoing difficulties. So, I think Skyfire should pay Mr R £400 in compensation for the impact their error has had on him as well as the inability to gain insurance elsewhere at a competitive price.

Putting things right

I've taken the view that Skyfire have made an error in not allowing Mr R the opportunity to cancel his policy himself. So, Skyfire should record the cancellation as though Mr R had cancelled it. They should also update any internal or external databases to show Mr R hasn't had this policy cancelled by them. Skyfire should remove the fraud marker against Mr R. Skyfire should also pay Mr R compensation of £400.

My final decision

My final decision is that I uphold the complaint. Skyfire Insurance Company Limited must take the steps in accordance with what I've said under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 21 March 2023.

Paviter Dhaddy
Ombudsman