

The complaint

Mrs J is unhappy with the amount of compensation U K Insurance Limited (UKI) has offered after they cancelled her van insurance policy.

What happened

Mrs J has a commercial van insurance policy with UKI. On 14 September 2022 she contacted UKI via message chat to update bank details for her monthly direct debit. UKI confirmed that it had been updated.

As Mrs J had been told everything had been completed, she cancelled the previous direct debit mandate with her bank. Due to UKI's systems, this automatically put the policy into pending cancellation.

On 16 September 2022 UKI sent Mrs J a text, and a letter, letting her know there had been payment problems, and if she didn't contact them within 14 days, the policy would be cancelled. Mrs J says she didn't receive either of these communications.

As Mrs J hadn't contacted UKI, the policy automatically cancelled with effect 30 September 2022 and confirmation was sent to Mrs J by letter dated 1 October 2022. However, Mrs J didn't receive this until 8 October 2022 so had been driving without insurance for several days.

On receipt of the cancellation notice, Mrs J immediately contacted UKI. They arranged for a new policy to be set up, at the same cost, and confirmed they'd be responsible if anything had happened between the two policies. UKI also offered £20 compensation, which included £5 toward the lengthy phone call Mrs J needed to make.

Mrs J was unhappy with this amount, so she approached this service.

Our investigator looked into things. Initially he didn't think £20 was enough, and he recommended a further £55 be paid taking the total compensation to £75. However, UKI didn't agree and re-highlighted the documents they sent Mrs J at the time, and that they'd set up a new policy at the same price as soon as they were aware.

The investigator revisited things and his view changed. He said he thought £20 was fair, so he didn't recommend UKI do anything further.

Mrs J didn't agree and asked for a final decision from an ombudsman.

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 agree with the end position our investigator reached. I'll explain why.

It isn't disputed by UKI that things went wrong. UKI recognise that they had told Mrs J that her bank details had been changed and everything had been updated on 14 September 2022. UKI accept they should have told Mrs J not to cancel the previous direct debit mandate at that stage, and it was this that then caused the policy to be put into pending cancellation by UKI's systems.

Therefore, what happened and caused the issue isn't disputed by UKI - and this is why they offered £20 compensation.

UKI has provided a copy of the letter and text message which were sent to Mrs J on 16 September 2022, warning of the payment issue, and pending cancellation in 14 days. Whilst I recognise Mrs J says she didn't receive either, I'm satisfied UKI has demonstrated they were both sent, so I can't hold UKI responsible if they weren't received.

Our investigator also sent a copy of these to Mrs J. And following receipt, Mrs J questioned that the top of the cancellation document dated 16 September 2022 also had a date of 24 October 2022. However, to clarify and reassure Mrs J, this is the date of the file submission to this service from UKI, rather than any relation to the actual letter being sent on a different date. As I say, I'm satisfied UKI has demonstrated it was sent on 16 September 2022.

I appreciate it would have been concerning for Mrs J to find out she had been driving without insurance for several days after the policy was cancelled with effect 30 September 2022. But fortunately, there were no losses or claims during this time. So, I can't reasonably ask UKI to compensate Mrs J for something which could've happened – but didn't.

As soon as Mrs J received the cancellation notice on 8 October 2022 and contacted UKI, they arranged a new policy, matched at the same price. Whilst Mrs J was unhappy at the time that she needed to pay a deposit, UKI needed this to be able to start the policy. And Mrs J has since exercised the cancellation rights under that policy and says she has received a partial refund which she's happy with.

Whilst I do recognise Mrs J is unhappy with the £20 compensation UKI has offered, I think that amount is fair and reasonable in the circumstances, so I'm not going to direct UKI to increase this.

My final decision

U K Insurance Limited has already made an offer to pay £20 to settle the complaint and I think this offer is fair in all the circumstances.

So, my decision is that U K Insurance Limited should pay the £20 (if it hasn't already done so).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 10 March 2023.

Callum Milne
Ombudsman