

The complaint

Miss B complained that U K Insurance Limited cancelled her motor insurance policy.

What happened

UKI increased Miss B 's premium after they discovered that she'd had an accident she hadn't told them about. If they'd known about it when she'd taken out the policy her premium would have been higher from then. When Miss B didn't pay the additional one-off premium UKI cancelled her policy.

Miss B said she hadn't understood why UKI charged the additional premium as they hadn't communicated the reason properly. If they, had she would have paid it. She thought that UKI were penalising her for not telling them about that accident. So she didn't pay it as she didn't think that was fair. She had some other service complaints too.

She complained to UKI who offered her £125 compensation. Miss B didn't think this was enough. She said that as a result of UKI's cancellation she now couldn't obtain alternative affordable insurance and was still paying for a car that she couldn't drive. She wanted UKI to give her a second chance to pay the right premium, correct her insurance record and clear her reputation.

The investigator complained that the complaint be partly upheld. She thought that UKI's communication with Miss B could have been better. So they should pay her an additional £100 in compensation for this. However they were not unfair to charge the additional premium or to cancel the policy when Miss B didn't pay it. UKI agreed to this, but Miss B didn't agree and so the complaint was 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.

When Miss B took out the policy over the phone UKI's agent asked for details of any accidents in the last five years. Miss B mentioned one but said she couldn't remember all of them so UKI's agent said she would check. UKI's instant check discovered some accidents and claims while Miss B had held policies from insurers in UKI's group. But when UKI later checked against the nationwide insurance databases they discovered that Miss B had another accident too. If UKI had known about that, Miss B's premium would have been higher from the start. So they increased it by about £112 because of this. This was a one-off additional premium.

In increasing her premium UKI weren't blaming or punishing Miss B for not telling them about all of her accidents. They were entitled to the extra premium because of her accident and claims history. And it did still remain Miss B 's responsibility for telling UKI about those,

even if UKI were able to find out about some of her accidents and claims when she took out the policy.

Unfortunately UKI had Miss B's address wrong so had sent her policy documents and their non-payment of premium warning letter of 29 September to that wrong address. So Miss B didn't receive it. However when UKI discovered this they resent the letter on 12 October to the correct address. That letter required payment by 26 October but Miss B didn't pay it, so UKI cancelled her policy.

I can see that this has been distressing for Miss B and not being able to afford new car insurance has caused her difficulty in getting her grandchildren around by public transport. She feels that UKI cancelling her policy has tarnished her reputation and it wasn't her fault.

UKI have accepted and apologised for getting her address wrong, and at first sending correspondence to her neighbour's address. UKI have also apologised for diverting her call to another insurer in their corporate group that Miss B no longer wanted to deal with. She was also annoyed that UKI didn't tell her about their connection with that insurer, as if she'd known she wouldn't have dealt with UKI at all. But I don't think UKI were under an obligation to tell Miss B when she took out the policy that they were part of that same insurer group, even if they had known of her dislike of the other insurer. As the investigator has explained, UKI and the other insurer are separate companies with different policies.

UKI have already offered her £125 in compensation, but I agree with the investigator that an additional £100 does better compensate Miss B for the effect UKI's service errors had on her. This £100 is in addition to what UKI say they have already paid Miss B, making the total compensation £225. Miss B said UKI's £125 cheque bounced. I expect UKI to check what has happened there and to reissue her the £125 too if she hasn't already cashed it.

The investigator thought that UKI could have done more to explain the importance of Miss B making sure all information about accidents and claims was provided. I think it would also have helped if they had better explained that they weren't blaming her and charging her the extra premium because she didn't disclose it. Instead they were charging it because of the effect the accident had on their risk assessment and premium pricing.

Nevertheless UKI were entitled to the one-off premium, they'd told her that and gave her a reasonable time to pay it. UKI's complaint agent's email of 26 October also reaffirmed the need for payment that day to avoid cancellation. And UKI had advised her on call when she took out the policy that non-payment could cause them to cancel her insurance. Given that, I don't think that it was unreasonable for UKI to cancel when they did. And for that reason I don't require them to do any more in that regard.

My final decision

For the reasons given above, my final decision is that I partly uphold the complaint.

I require U K Insurance Limited to do the following:

- Pay Miss B an additional payment £100 in compensation for her distress and inconvenience.

UKI must pay the compensation within 28 days of the date on which we tell them Miss B accepts my final decision. If they pay later than this, they must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 27 June 2023.

A handwritten signature in blue ink that reads "R. Scott". The "R" is large and stylized, with a dot. The "Scott" is written in a cursive-like script.

Rosslyn Scott
Ombudsman