

The complaint

Miss H complains that Acorn Insurance & Financial Services Ltd (“Acorn”) mishandled her motor insurance.

Where I refer to Acorn, I refer to the above-named company and I include employees and others insofar as I hold Acorn responsible for their acts or omissions.

What happened

Acorn acted as an intermediary between Miss H and her insurers. Through Acorn, Miss H took out a policy for the year from mid-December 2019.

Acorn also acted as an intermediary between Miss H and a finance company that Acorn has described as its sister company. Miss H agreed to pay monthly instalments of the premium and interest to the finance company by direct debit from the bank account she had at the time.

Miss H renewed the policy for a year from mid- December 2020. At about that time, she told Acorn that her old bank account had been closed.

In about January 2021, Miss H opened a new account with another bank. She made card payments of about £94.00 for each of the instalments that fell due in early 2021.

In mid- June 2021, Acorn treated the policy as cancelled because of missed payment.

In early July 2021, Miss H made a payment of £119.13, and Acorn set up a new policy for her.

In late November 2021, Miss H took out a policy with another provider. She contacted Acorn to get evidence of her no claims bonus (“NCB”). Acorn said that she still had a policy through Acorn with several months before it expired. Acorn said it had an incorrect email address for Miss H.

In December 2021, Miss H complained to Acorn that it had re-started the policy without her knowledge. She complained that she’d paid a deposit of about £110.00 to the other provider for the new policy, then cancelled it and paid a £25.00 cancellation fee.

By a final response dated February 2022, Acorn partly upheld the complaint. It said it would refund the payments of about £110.00 and £25.00. Acorn also offered a further £25.00 in recognition of holding the incorrect email address. Acorn has told us that it made those payments in late February 2022. Miss H brought her complaint to us without delay.

our investigator’s opinion

Our investigator didn’t recommend that the complaint should be upheld. He thought that what Acorn had paid was fair in the circumstances.

my provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Miss H and to Acorn on 17 January 2023. I summarise my findings:

I found it more likely that Miss H hadn't paid the balance of the instalment due in early May 2021 or any of the instalment due in early June 2021 (totalling about £163.00) - and that's why Acorn cancelled the policy from mid-June 2021.

There wasn't enough evidence that Acorn wrote any seven-day notice. I've seen a letter dated 23 June 2021 confirming the cancellation. But I found it unlikely that Acorn sent it to Miss H's correct email address. So I didn't consider that Acorn's cancellation treated Miss H fairly.

I found it possible that Miss H would've responded by paying the arrears of about £163.00 by the deadline. That would've avoided the cancellation and preserved her opportunity to earn another year's NCB by mid-December 2021, and then pay less for her insurance.

But the arrears had arisen because she couldn't pay the total of the instalments due in early May and early June 2021. So I found it more likely that Miss H wouldn't have paid the arrears in June 2021. Therefore, I wasn't minded to assess compensation by reference to the lost opportunity for extra NCB and lower premium for the period from mid-December 2021 to early July 2022.

Subject to any further information from Miss H or from Acorn, my provisional decision was to uphold this complaint in part. I intended to direct Acorn Insurance & Financial Services Ltd to:

1. write a letter to Miss H (which she may show to current and future insurers) apologising for cancelling her policy unfairly in June 2021; and
2. pay Miss H £150.00 for distress and inconvenience.

Acorn agreed with the provisional decision or at least with the recommendation to pay £150.00 to Miss H for not issuing a 7-day cancellation notice.

Miss H asked for an extension of her time to respond to the provisional decision to 27 February 2023 and we agreed. However, she didn't respond by that deadline.

So I see no reason to change my view.

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.

I've seen a statement of facts dated 2 December 2020. It said that Miss H had four years' NCB. It included her correct email address. I've also seen a policy schedule dated 2 December 2020. I've also seen a covering letter dated 2 December 2020. It said that Miss H had to pay 11 instalments of about £100.00, by direct debit from her old bank account, starting from 11 January 2021.

But Miss H contacted Acorn on 10 December 2020. And both agree that she had to pay monthly instalments of about £94.00 from about 1 January 2021. So I find that Miss H and Acorn agreed some changes, which had the effect of reducing the instalments.

I accept Acorn's statement that it was around that time that it recorded Miss H's email address incorrectly.

I find that Miss H made card payments for the instalments due in early January, early February and early March 2021.

I accept Miss H's evidence that she asked to set up a direct debit for the 27th day of every month. On 19 March 2021, the finance company emailed her to refuse that request. The finance company used her correct email address. But the finance company was replying to an enquiry. So that doesn't persuade me that Acorn hadn't already mis recorded the email address at that time.

I find that Miss H made a card payment for the instalment due in early April 2021.

Both Miss H and Acorn have mentioned a "split payment". From what each of them has said, that was an option offered on the finance company's website.

Acorn has given us conflicting information about payments in about May 2021. But I find that, for the instalment of about £94.00 due in early May 2021, Miss H made a split payment of about £23.00. Miss H told us (in July 2022) that on 21 May 2021 the website wouldn't let her pay the balance. But – even if that were the case – the balance was about £69.00, and it was still overdue. And Miss H hasn't said that she made such a payment.

For the instalment due in early June 2021, Miss H told us (in July 2022) that she made a card payment on 1 June 2021 of about £94.00. She sent us extracts from her bank statements. But the entry for 1 June 2021 is redacted. So I'm not persuaded that she made such a payment.

I find it more likely that Miss H hadn't paid the balance of the instalment due in early May 2021 or any of the instalment due in early June 2021 (totalling about £163.00) - and that's why Acorn cancelled the policy from mid-June 2021.

Nevertheless, the Financial Ombudsman Service regards cancellation of a motor policy by a business as having serious consequences for the policyholder. So we expect the business to give the policyholder seven days' notice of its intention to cancel. Further, we expect the business to use the means of communication for which the policyholder has expressed preference - and ideally a second means of communication.

In Miss H's case, there's not enough evidence that Acorn wrote any seven-day notice. I've seen a letter dated 23 June 2021 confirming the cancellation. But I find it unlikely that Acorn sent it to Miss H's correct email address. So I don't consider that Acorn's cancellation treated Miss H fairly.

In early July 2021, Miss H went onto the finance company's website. I accept Acorn's evidence that the pages she opened included the following information:

"IMPORTANT MESSAGE. Unfortunately your policy has been cancelled. If you would like to set up a new policy, please click the 'Continue Button' below... Although we are unable to reinstate your cancelled policy, to help you stay covered we can setup a new policy. Your new policy will be on the same terms as your cancelled policy and will be for a new 12 month period."

I also accept Acorn's evidence that Miss H was asked the following question:

“Have there been any changes to your circumstances, or have you requested a change against your most recent cancelled policy?”

That was before she made the card payment of about £119.13.

As Acorn had, by that time, made a mistake with the email address, I accept that Miss H didn't receive the new policy documents by email.

Miss H made the payments due in early August, early September, early October and early November 2021. She must've known that the amount was about £84.00. So she ought reasonably to have noticed that this was less than she'd been paying in the early months of 2021.

I accept Miss H's statement that she arranged a new and cheaper policy to start in mid-December 2021, when she believed the Acorn policy would end. I don't doubt that she was upset and inconvenienced by finding out that Acorn had cancelled her policy and re-started it for a year to July 2022. But I consider that she should've known that from what she'd seen online in July 2021.

By late November 2021, Miss H knew she had two policies and she chose to cancel the one with the new provider.

From what I've seen, Miss H made the remaining payments due to Acorn from December 2021 to July 2022.

I've thought about what's fair to try to put Miss H back in the position she should've been in if Acorn had sent a seven-day notice to her correct email address in June 2021.

I find it possible that Miss H would've responded by paying the arrears of about £163.00 by the deadline. That would've avoided the cancellation and preserved her opportunity to earn another year's NCB by mid-December 2021 and then pay less for her insurance.

But the arrears had arisen because she couldn't pay the total of the instalments due in early May and early June 2021. So I find it more likely that Miss H wouldn't have paid the arrears in June 2021. Therefore, I don't find it fair and reasonable to assess compensation by reference to the lost opportunity for extra NCB and lower premium for the period from mid-December 2021 to early July 2022.

Putting things right

I keep in mind that Acorn has already refunded what Miss H had paid to the new provider. But – unlike the investigator – I'm not satisfied that this went far enough to put things right.

I find that Miss H suffered upset at the cancellation and reinstatement of her policy. Only a part of that was caused by Acorn's failure to send a seven-day notice of cancellation.

The impact of that failure can be mitigated by directing Acorn to write a letter to Miss H (which she may show to current and future insurers) apologising for cancelling her policy unfairly in June 2021.

In addition to that, I find it fair and reasonable to direct Acorn to pay Miss H £150.00 for distress and inconvenience.

My final decision

For the reasons I've explained, my final decision is that I uphold this complaint in part. I direct Acorn Insurance & Financial Services Ltd to:

1. write a letter to Miss H (which she may show to current and future insurers) apologising for cancelling her policy unfairly in June 2021; and
2. pay Miss H £150.00 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 30 March 2023.

Christopher Gilbert

Ombudsman