

The complaint

Mr C complains about the administration of a business insurance policy he held with Hiscox Underwriting Limited trading as Hiscox.

What happened

Mr C held an insurance policy with Hiscox. In July 2022 he spoke to Hiscox by telephone and said Hiscox had cancelled his policy. He wanted to make a complaint.

Hiscox said his policy had been cancelled in February 2022 because no payment for the premium had been received. It agreed to reinstate Mr C's policy and backdate the cover to February, so there was no gap in cover.

Mr C remained unhappy and referred his complaint to our service. Our investigator thought Hiscox had acted fairly. Mr C didn't agree and asked for an ombudsman's decision.

My provisional decision

I previously issued a provisional decision on this complaint as I thought Mr C's complaint should be upheld. I said there were two issues that needed to be addressed, and outlined my findings as follows:

The policy cancellation

Mr C's policy was due for renewal in February 2022. In December 2021, documents inviting renewal were sent to him and he contacted Hiscox regarding payment for the renewal. In January 2022, he sent documents to Hiscox giving details of the account to be used for payment.

The policy renewed, and Hiscox attempted to take payment using the details Mr C had provided. The payment was unsuccessful. Hiscox sent an email to Mr C saying the payment had been unsuccessful and informing him the policy had been cancelled.

I think Hiscox acted too quickly by cancelling the policy in February 2022. From the evidence it's provided to us, it seems that having been unsuccessful in taking the payment, it cancelled the policy and told Mr C about this. We've been provided a detailed explanation of the changes to the payment details prior to February 2022, but nothing has been provided showing that Hiscox attempted to resolve the payment issue before cancelling the policy.

This was a business policy, intended to protect Mr C from liabilities he might incur during the course of his work. I don't think it was fair for Hiscox to cancel the policy without attempting to speak to Mr C to arrange for alternative payment, for example by telephone and email. I don't think Hiscox made reasonable attempts to resolve the payment issue before cancelling the policy.

The re-instatement and backdating of cover

I've listened to the phone calls Mr C had with Hiscox in July 2022. During the course of those

calls he says he needs a copy of the insurance certificate to provide to a client and it's clear from these that he wants to re-instate the policy cover. Mr C is told, during the second call, that the policy cover will be back-dated to February so that there was no gap in cover. Mr C doesn't dispute this or say this isn't what he wanted.

I think Hiscox acted reasonably in back-dating the cover. This would put cover in place for the period between February and July 2022 in case of any subsequent claims being made against Mr C which were covered by the policy, rather than leaving Mr C potentially exposed without insurance coverage.

Having listened to the calls, however, I do think that Mr C was left with an impression that some form of compensation or reduction in the premium would be given because of the cancellation. I say this because at the outset of the second call, Hiscox' representative says the cancellation had occurred because of "*an error at our end.*" Mr C was also told that the representative would be speaking to a senior colleague to see "*What they are willing to write off,*" with a figure of 50% being mentioned.

I think from the content of that call, Mr C had a legitimate expectation that Hiscox had acknowledged wrongly cancelling the policy in February 2022, and would be making an offer to recognise this.

When Hiscox responded to Mr C's complaint, it made no acknowledgement of any error on its part. Indeed, it says the policy was cancelled correctly because of no payment. While it's mentioned what was said about back-dating cover to February 2022 in these calls, it hasn't referred at all to what Mr C was told by its representative about a potential portion of the premium being written off, or that it had made an error in cancelling the policy.

It isn't clear what the error Hiscox was referring to. It wasn't mentioned in any further correspondence with Mr C or our service. I don't think the nature of the error is particularly relevant. By telling Mr C an error had been made, it created an expectation that Hiscox had made an error and would be seeking to put this right.

Putting things right

Having concluded that Hiscox didn't act fairly by cancelling the policy in February 2022, and also acknowledged an error in July 2022 which then wasn't followed up on, I now need to consider how this can be put right.

I think Mr C has been caused distress and inconvenience by these errors. He would always have needed some contact with Hiscox in order to resolve the payment issue, and he didn't contact Hiscox for several months after the cancellation. I'm unclear about how or when Mr C discovered the policy hadn't been cancelled. I understand Mr C says he didn't receive the cancellation email, but Hiscox has demonstrated it was sent. At the time of his calls in July 2022, he's aware the policy had been cancelled but the main impetus for the call seems to be so he can reinstate the policy and obtain documentation. On balance, I think it's more likely than not he discovered the policy had been cancelled in July 2022, around the time he called. I can't conclude that Mr C was caused distress due to the cancellation from February through to July.

Nevertheless, I think if Hiscox had made further attempts to contact Mr C in February 2022, such as by phone or additional emails, then it's likely he would have taken steps to resolve the payment issue. That would have meant distress he suffered after learning the policy had been cancelled would have been avoided.

Similarly, Mr C was left, after speaking to Hiscox in July 2022, with the impression that an

error had been made, acknowledged, and would be put right. He then received correspondence from Hiscox saying it had done nothing wrong. I think it's fair to say that would have caused an amount of distress and confusion, having been told two contrasting things by Hiscox.

For these reasons, I think it's fair to ask Hiscox to pay £100 compensation to Mr C to recognise the impact of its errors and mixed messages.

Responses to my provisional decision

Both Mr C and Hiscox responded to my provisional decision.

Mr C accepted my findings and had no further points he wanted to raise or have considered.

Hiscox didn't accept my findings. It made a number of points, which can be summarised as:

- In correspondence with Hiscox during the course of the complaint, Mr C had made it clear he didn't want the policy to be reinstated.
- Mr C would have known about the cancellation of the policy in February 2022, and so it was safe to assume he didn't want the cover.
- It had acted reasonably when cancelling the policy in February 2022 when the payment wasn't received.
- No distress had been caused to Mr C because he didn't want the cover.
- While Hiscox acknowledged Mr C had been told an error had been made, he'd also been told a complaint would be logged and that complaint review had concluded that no error had been made by Hiscox.

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 considered the detailed points made by Hiscox in response to my provisional decision, and also looked at again at all of the information available to me. I remain satisfied that the complaint should be upheld, and that Hiscox should pay £100 compensation to Mr C, for broadly the same reasons previously given. I will briefly respond to the points made by Hiscox.

I don't dispute that during the course of the complaint, Mr C did indicate he didn't want the policy, and that as a result it was cancelled and a refund of the premium given to Mr C. However, it's also clear from the first call Mr C made to Hiscox, when he made the complaint, that he did want the policy cover to be reinstated.

I think it's fair to say Mr C hasn't been consistent about his requirements in terms of cover during the course of the complaint. I remain satisfied though that he was told by Hiscox that the policy would be reinstated, in line with his stated wishes at the time, and that some form of compensation would likely be offered to put things right. Without any acknowledgement, retraction or explanation, no such offer was made. I believe Mr C had a reasonable expectation that Hiscox would make an offer to acknowledge its error, and by not making such an offer, Mr C would have been confused about Hiscox's actions.

I also don't agree with the inference from Hiscox that the acknowledgement of an error, and likely offer of compensation should be disregarded because Mr C was told a complaint would be logged. Mr C had said he wanted to make a complaint, but there's nothing in the calls which would give any indication that he couldn't rely on what he'd been told as being Hiscox'

settled position in regards to the cancellation of the policy – that position being that Hiscox had made an error.

I'm also not persuaded that Hiscox' actions in cancelling the policy when the payment was unsuccessful in February 2022 were reasonable. Hiscox says the email sent to Mr C said to contact them and they would arrange to sort matters, and also that the payment details had been changed a number of times in the months before the unsuccessful payment.

Hiscox appears to have made assumptions that because Mr C didn't contact it in February 2022, and based on what he's said since, he knew the policy had been cancelled and was happy with this and no longer wanted cover. I'm not persuaded there's enough evidence to support such an assumption.

In any case, I remain satisfied that after one unsuccessful payment it wasn't reasonable for Hiscox' first action to be the cancellation of the policy. I still think it's fair to say there should have been attempts to contact Mr C to check and try to resolve the payment issue before moving to cancel the policy.

I can't speak to Mr C's reasons for not contacting Hiscox in February 2022, when the policy was cancelled. What is clear, is that by July 2022 he contacted Hiscox, and said he needed the cover. Hiscox said an error had been made in cancelling the policy and it would be reinstated. I've outlined the effect I'm satisfied this would have had, but also the reasons why the compensation amount should be limited to £100 in total.

My final decision

It's my final decision to uphold this complaint. To put things right, Hiscox Underwriting Limited trading as Hiscox must pay Mr C £100 compensation. Hiscox must pay this amount within 28 days of us telling Hiscox that Mr C accepts our decision. If it doesn't, Hiscox must pay simple interest at a rate of 8% on this amount from that date to the date of final settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 31 March 2023.

Ben Williams
Ombudsman