

The complaint

Mr C complained that MCE Insurance Limited unfairly cancelled his motorcycle insurance policy

What happened

Mr C was stopped by the police for not having insurance for his motorcycle. But Mr C was insured. He had bought a policy through MCE, his insurance broker. However it wasn't shown on the national database because of MCE's administrative mistake.

Mr C also missed premium payment dates and incurred late payment fees under his credit agreement and said he wouldn't pay them due to MCE's mistake. MCE cancelled his policy for non-payment. MCE didn't think they were wrong to do that. But they agreed that they'd made a mistake about the database entry and offered Mr C £50 in compensation. Mr C wanted more compensation and for MCE to reinstate his policy and remove the late payment fees.

The investigator recommended that Mr C's complaint be partly upheld. He thought that MCE were not unreasonable to cancel his policy. But he thought that their failure to ensure the database showed Mr C as being insured had caused him trouble and upset, and £50 didn't fairly recognise the impact of that. So MCE should increase the compensation to £100. Neither Mr C nor MCE agreed and so I've been asked 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.

Mr C took out his policy in June and paid the premium in monthly instalments via a credit agreement. In August and October Mr C was late paying his monthly premium and MCE at first said they would charge him a £30 late payment fee each time. Having looked at his policy and credit agreement I see that this charge was clear, and MCE were entitled to charge it. However MCE agreed to waive it both times. I think that was fair of MCE.

In about November the police stopped Mr C. Fortunately he was able to show them that he was insured. So it wasn't a case of Mr C being fined or having licence penalty points. However I can see that being stopped by the police and having to explain and prove the situation would've been upsetting for him. But although Mr C said he was stopped by the police multiple times, despite the investigator's requests, he hasn't been able to tell us dates and times, so I don't have enough information to support that.

In November MCE were then again unable to take Mr C's monthly premium payment and another late payment fee became due. MCE had waived the October one because they'd made the mistake about his policy not being entered on the national database, and I think that was fair of them.

Mr C wouldn't pay the November premium or the late payment fee because he said he

wasn't receiving the service MCE offered if it looked like he wasn't insured. However I can see from MCE's file that they re-assured Mr C at that time that he was insured and that it was simply that due to MCE's mistake it didn't appear on the database. And once he made MCE aware of the problem, I can see that MCE did all they could to flag the issue with the insurer and resolve it promptly so that the database then showed that he was insured from the start.

MCE also advised Mr C that he needed to keep paying the premiums or they would have to cancel the policy. Mr C was contractually obliged to make the payments under the policy in order to remain insured. I think that MCE did give him sufficient notice that they would cancel if he didn't and so it wasn't unreasonable of them to do so. And MCE are not required to reinstate the policy.

However I agree with the investigator that £50 doesn't adequately compensate Mr C for MCE's mistake and the inconvenience that being stopped by the police must have caused him and I think that £100 does so more adequately. So I think they should pay him that, less the £50 if they have already paid that.

My final decision

For the reasons given above, my final decision is that I uphold the complaint. I require MCE Insurance Limited to do the following:

- Pay Mr C total compensation of £100 for his distress and inconvenience, less any compensation amount that they have already paid him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 2 June 2023.

MCE must pay the compensation within 28 days of the date on which we tell them Mr C 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.

If MCE consider that they are required by HM Revenue & Customs to withhold income tax from that interest, they should tell him how much they have taken off. They should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.



Rosslyn Scott
Ombudsman