

The complaint

Mr V and Mrs V are unhappy with U K Insurance Limited's (UKI) decision to cancel the landlord insurance policy they held.

What happened

Mr V and Mrs V held a landlord insurance policy with UKI. They'd held it for a number of years, and it renewed as expected in April 2022. Mr V and Mrs V live abroad, and it was only in August 2022 they became aware of letters sent by UKI in June 2022, saying the direct debits hadn't been paid.

Mrs V contacted UKI and was assured the policy remained in place and UKI would work to fix the problem with the direct debit. Mrs V says in November 2022 she received further letters, dated September 2022, letting her know the policy had been cancelled as a further direct debit hadn't been paid.

Unhappy with the situation, Mrs V complained. UKI said it had written to Mrs V twice in September 2022 to let her know the direct debit failed. The second letter said the policy would be cancelled if a payment wasn't made. UKI said it had acted correctly and could not reinstate the policy. It arranged a new policy, but this carried an increased premium as there was an open claim.

As Mrs V lives abroad, she didn't receive the letters until after the policy was cancelled. She was unhappy UKI didn't reinstate the cancelled policy. It said it could only set up a new one which carried a higher premium. Mrs V asked this us to look into her complaint. Our investigator said UKI told Mrs V the failed direct debit payments was due to an error on its part. The investigator said what she thought was fair was for UKI to pay a compensation amount that covered the difference between the cost of the two policies, but also recognised the distress and inconvenience experienced.

UKI disagreed with the outcome. It said it had done all it could to try and notify Mrs V of the failed direct debits. This case was passed to me.

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've reached broadly the same conclusion as our investigator, and for the same reasons.

Mrs V has shared screen prints of the online chats she had with UKI. In these messages UKI told Mrs V the responsibility behind the failed direct debit sat with it. She was offered assurances that, whilst a new policy needed to be set up, there wouldn't be an increased cost associated with the replacement policy. UKI later said the new policy attracted a higher premium because of an open claim. However, it's likely if the original policy hadn't been

cancelled, Mrs V wouldn't have experienced the higher premium until the first policy ended and a new one taken out.

I've considered the live chat messages Mrs V exchanged with UKI. In these, she was told by two separate advisers there were issues with the direct debit mandate, but UKI would take the necessary steps to put things right. So, on the basis of that message being relayed to her twice, I don't think it's unreasonable Mrs V didn't take any further action about the direct debit and trusted any issues were going to be rectified by UKI.

In its response to us, UKI says it can't be certain why the direct debit failed. It considers it acted appropriately to take steps to let Mr V and Mrs V know when the payments failed again. Here it's referencing letters sent in September 2022 to let Mr V and Mrs V know the payment had failed again. However, at the end of the live chat messages in August 2022, Mrs V asked if it would be possible for any information about future issues to be sent to her by email, as post took several weeks to reach her. UKI told Mrs V this wasn't possible.

UKI referenced a decision issued by one of my ombudsman colleagues, which concluded in the circumstances relating to that complaint, as long as the business issued correspondence relating to direct debits, it wasn't responsible for post being received.

But I think in the circumstances of this specific case, UKI said it would only correspond in relation to the direct debit via post, setting two-week timeframes for responses. This continued after Mrs V told the UKI advisers it took up to five weeks for correspondence to arrive. This meant it simply wasn't possible for Mr V and Mrs V to respond within the timeframes set by UKI. So even if those letters were automated as UKI says, I don't think it's fair for UKI to set and rely on timeframes asking for responses several weeks before Mrs V would likely receive the letters.

Whilst I accept there may be some element to what UKI says about Mr V and Mrs V being able to monitor the status of the direct debit themselves, I've considered the assurances given to Mrs V during the live chats. These were clear in setting out the matter was in hand, and it would be rectified by UKI. And, for the reasons I've set out, Mrs V didn't become aware of the failure again until she received the letters in November.

However, what seems clear to me is there were two points where Mrs V experienced distress and inconvenience. The first was the point when she initially found out the direct debit failed, and second was when she received the cancellation letters. I can see in both instances, UKI's agents acted quickly to get things back on track. I think this will have minimised the impact on Mrs V. I appreciate she's unhappy with the higher premium for the replacement policy, but it's not unusual for there to be a change in premium following a claim. I'm satisfied that, in the circumstances of this case, the £125 compensation recommended by our investigator is fair and appropriate in the circumstances.

My final decision

My final decision is that I uphold this complaint. I required UK Insurance Company Ltd to pay Mr V and Mrs V £125 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V and Mrs V to accept or reject my decision before 17 August 2023.

Emma Hawkins
Ombudsman