

The complaint

Mr G complains that when he moved house Clements Europe Limited cancelled his motor insurance policy as they said his insurers didn't cover his new address. He's unhappy with how they handled the cancellation, the deductions made from his refunded premium, and the impact the cancellation had on his no claims bonus.

What happened

Mr G had insurance for his car arranged through Clements. In May 2022 Mr G moved house and contacted Clements to advise them of this. He was notified that they needed to cancel his policy as his insurers didn't provide cover for his new address.

Mr G's policy started on 17 August 2021 and was cancelled on 26 May 2022. He received a refund of £95.54 from Clements after they'd deducted their cancellation fee and commission retention fee, and the insurers had deducted their cancellation fee of £28.

As his policy had been running for less than a year when it was cancelled, Mr G says he's lost out on accruing a year's no claims bonus, so when he rearranged cover for his car he had to pay more.

Mr G raised a complaint with Clements. On 1 June 2022 Clements responded to Mr G's complaint saying that the deductions made from his policy were correct and in line with his policy terms and conditions. And they provided referral rights to our service on 2 June 2022.

Mr G then referred his complaint to us. Our investigator considered the case and asked Clements to provide evidence that the insurers didn't provide cover for Mr G's new postcode. Which they did.

Our investigator then provided his opinion. He partially upheld Mr G's complaint saying that Clements should refund the cancellation fee deducted from the refund he received. But as Mr G haven't been on cover for a full year, he hadn't accrued a no-claims bonus. So Clements didn't need to take any action about this.

Clements accepted our investigator's opinion. But Mr G didn't as he said his policy didn't say only certain geographical areas would be covered, and if it had he wouldn't have taken out the policy in the first place. He remained unhappy with the deductions made from his policy. And said that if his policy hadn't been cancelled, he'd have received one year's no-claims bonus and the premium he's paying with his current insurer would be less.

The case has now come to me for a decision.

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 understand that it was disappointing for Mr G that when he moved address his policy was cancelled. But Clements acted on the instructions of Mr G's insurers as they didn't cover the

address he'd moved to. Mr G has suggested that this wasn't the case, but we've seen evidence that the underwriters didn't cover properties in his new postcode, so Clements had to advise him of the cancellation.

When Mr G took out his cover through Clements his policy was based on where he was living at that time. The terms and conditions of the policy, under Section 11 – General Conditions, require Mr G to advise Clements of any change in his circumstances. And say, "We will be entitled to vary the premium and terms for the rest of the Period of insurance upon notification of any such change." There's then a list of examples of changes that need to be reported. This includes "A change of Your address or a change to where You keep the vehicle".

So I think Mr G was put on notice that moving home might have an impact on his cover. Particularly as the terms and conditions then go on to set out the possible consequences of changes not being notified, such as the policy being voided or claims not being covered.

Such a term is fairly standard for motor insurance policies. And I wouldn't expect Clements to have notified Mr G, when he took out his policy, of every area his insurers mightn't cover. That would be an unreasonable expectation, especially when at that point the situation hadn't arisen.

Mr G's policy deals with cancellation on page nine. It says "We may, if we have a valid reason, cancel this insurance at any time by sending You notice in writing to Your last known address. The notice will include the reason for cancellation." The list of reasons given for cancellation includes "the making of risk based underwriting decisions."

When Mr G notified Clements of his change of address they confirmed in writing that his policy was being cancelled because his insurers didn't cover his new address. So I'm satisfied they cancelled the policy correctly in line with his policy terms and conditions.

The policy says that if it's cancelled by Clements, provided no claim has been made and there are no circumstances which are likely to give rise to a claim, they'll refund a proportional amount of the premium for the unexpired period of insurance, less a £50 cancellation fee.

Following the policy cancellation Clements advised Mr G that they'd received a refund of £161.48 from his insurers. This was based on an annual premium of £853.81, where he'd had cover for 283 days. From this amount Clements deducted a cancellation fee of £50 and commission of £15.94. So Mr G received a refund of £95.54.

Clements have now agreed that they're prepared to waive the £50 cancellation fee and I think that's fair. And they're not responsible for any deductions made by the insurers before they received the refund.

Mr G also complains that due to the cancellation of his policy he's lost a year's no-claims bonus. His policy started in August 2021 and was due to run until August 2022 but was cancelled in May 2022. Mr G would only have started to accrue a no-claims bonus when his policy had been in place for a year, and if he'd made no claims during that year.

But his policy hadn't been in place for a full year when it was cancelled. While I can understand why he thinks he's lost out here, he hadn't accrued any no claims bonus at the time the policy was cancelled. And I can't say that he would have done if the policy had continued to the end of the policy year. As something may have happened that would have led to him making a claim. So I can't say Clements have done anything wrong here.

My final decision

For the reasons set out above I'm partially upholding Mr G's complaint about Clements Europe Limited.

And to put things right I require them to refund to Mr G the £50 cancellation fee they deducted from his refunded premium.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 19 June 2023.

Patricia O'Leary
Ombudsman