

The complaint

M complains that Insurance Factory Ltd didn't let it know its commercial vehicle insurance policy would be cancelled.

What happened

M purchased a commercial vehicle insurance policy, over the phone, through Insurance Factory who are a broker. However, during the sales call Insurance Factory recorded M's contact number incorrectly. The policy was to be paid for on a monthly basis through a finance agreement with another business, who I'll refer to as C. C was unable to provide finance for M and wrote to it to let it know.

Insurance factory sent M an e-mail on 21 June 2022 to let it know the premium amount was outstanding and the policy would be cancelled if it wasn't paid. It also sent M a text message on the 22 June 2022, tried to call M on 24 June 2022 and sent another text message on 28 June 2022. As no response was received the policy was cancelled and notification of the cancellation sent on 30 June 2022 via e-mail.

A chaser for the outstanding amount was sent on 11 July 2022 via e-mail. M said it became aware of the policy being cancelled after this communication and so contacted Insurance Factory. M discovered that Insurance Factory had recorded the incorrect phone number when selling the policy and so had sent the texts and made the phone call to the incorrect number. Because of this M complained.

Insurance Factory reviewed the complaint and partially upheld it. It listened to the initial set up call and agreed the phone number was taken down incorrectly. Because of this Insurance Factory apologised and offered compensation of £25. However, it maintained it had let M know of the cancellation so thought it had acted fairly in letting M know its policy would be cancelled. Unhappy with Insurance Factory's response, M brought its complaint here.

I issued a provisional decision on this complaint on 11 July 2023 where I said:

"I've noted there has been discussion about whether this complaint should be against the insurer of M's policy, or Insurance Factory as the broker. For clarity I'm satisfied this complaint should be against Insurance Factory as the broker. This is because the administration of the policy is carried out by Insurance Factory. And while the insurer made the decision to cancel the policy, in this decision I'm considering whether Insurance Factory did enough to let M know its policy would be cancelled.

Insurance Factory's terms of business say: "If your policy is cancelled by us or the insurer, for reasons such as misrepresentation, failure to disclose or failure to make payment when due, we will give you 7 days' notice in writing to your last address notified to us."

When a policy is cancelled its good practice to give two notices of cancellation, ideally across two different methods of communication. However, even if one method of communication is used, it should be sufficiently clear to notify the policyholder that the policy may be cancelled. So, while I'm satisfied Insurance Factory sent written notification of the

cancellation to M, I'm not satisfied it did so in a fair and reasonable way. I'll explain why.

Neither the heading nor the body of the e-mail sent to M highlights that it's an important document or that the policy may be cancelled. This information is only made clear in the attachment sent with the email. I'm not satisfied this e-mail did enough to bring its importance to the attention of M, so I don't think this single email was sufficient to let M know it needed to read it and take action.

The next communication Insurance Factory sent to M was when the policy was cancelled and so M was unable to take any action to prevent it at that time, such as by paying the outstanding premium. I can also see Insurance Factory sent three other notifications of the outstanding premium but to the wrong contact details. So, while I'd be satisfied the phone and e-mail communication would be sufficient to let M know its policy would be cancelled, this didn't happen as Insurance Factory recorded the wrong phone number. I think it's most likely that if the Insurance Factory had recorded the contact details correctly that these communications would have highlighted to M that it needed to do something. Our investigator asked M what it would have done if it had received the communication and it said it would have paid the full year's premium.

I'm therefore satisfied that if Insurance Factory hadn't recorded the incorrect contact details and sent the notification to the correct ones, it's most likely M wouldn't have had its policy cancelled, as it would have paid the outstanding premium. I've therefore gone on to think about what Insurance Factory needs to do to put things right.

Due to the policy being cancelled M has had to take out a policy elsewhere which has caused it unnecessary inconvenience. I can also see that when the policy bought through Insurance Factory was cancelled the insurer charged £415 for the time on risk. As this is charged by the insurer, I can't consider what it charged here, however it's not uncommon to find that a charge for the time on risk by the insurer is fair. However, if M doesn't agree with what the insurer charged it would need to raise it with the insurer.

I can also see that of the total premium of £4,295, M has paid a total of £865.99. Insurance Factory asked M to pay an outstanding amount of £612.77 after the policy cancelled. It therefore appears the money M is being asked to pay relates to Insurance Factory's charges and isn't for the time on risk with the insurer, as M has paid enough to cover this. Given I'm satisfied its due to Insurance Factory's error this policy was cancelled, I think the fair and reasonable outcome is for Insurance Factory to refund any charges and fees it applied to M's policy.

By refunding the charges and fees Insurance Factory applied means M wouldn't owe any more than it has already paid. As Insurance Factory passed the outstanding debt to a debt recovery company. It should settle the debt with the debt recovery company, along with any late fees and charges and ask that any adverse credit markers are removed. I say this because if M had been made aware of the outstanding premium and settled it as it said it would have, then the debt would never have been passed to the debt recovery company. So it's fair and reasonable that Insurance Factory also settles the debt and requests any adverse markers are removed.

As I can see M paid £865.99 for this policy, it means once the insurer's time on risk is deducted (£415) M has paid £450.99 more than the time on risk charge. Insurance Factory should therefore refund this amount to M. While I understand M has incurred unnecessary inconvenience in having to set up a new policy and said the new policy does cost more, I'm satisfied by Insurance Factory settling the debt with the debt recovery company and paying M back £450.99 is a fair and reasonable outcome. And so, I'm not going to tell it to pay any more."

M responded and accepted my provisional decision. Insurance Factory also responded and said it didn't have anything further to add.

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.

As neither party had any further comments to my provisional decision, I see no reason to depart from it.

My final decision

For the reasons explained above and in my provisional decision, my final decision is that I uphold this complaint. I require Insurance Factory Limited to:

1. Settle the debt with the debt recovery company and request any adverse credit markers relating to it are removed. It should also pay any fees and charges which have been added to the debt.
2. Pay M the difference between the time on risk charged by the insurer and what it paid for the policy, this amounts to £450.99.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 24 August 2023.

Alex Newman
Ombudsman