

The complaint

Mr M complains about the way UK Insurance Limited (UKI) handled the direct debit payments for his commercial motor insurance policy and that it unfairly cancelled his policy.

What happened

Mr M took out a commercial motor insurance policy with UKI in July 2022. In November 2022 he updated his direct debit payment details. The payments were to be taken from an alternative bank account.

After Mr M made the update the direct debit was taken from the wrong account as the details had not been updated.

On 26 January 2023 Mr M received a text and email to inform him there had been a problem with his Direct debit instruction. The emails said if it did not receive payment or direct debit instruction it would cancel his policy in 14 days. UKI also called Mr M on the same day, and he made a manual payment.

The next day UKI sent the same text and email message to Mr M to inform him of the problem with his direct debit. As he had made the payment manually the day before and had been reassured by UKI that his direct debit should be sorted for February 2023 he ignored the messages.

As Mr M did not respond to UKI's email, on 9 February 2023 his policy was cancelled. He was notified of this cancellation on 14 February 2023 and UKI refunded his overpayment of £62.66.

Mr M had to take out a new commercial motor insurance policy, which he did with UKI.

UKI agreed there were issues with Mr M's direct debit. It agreed the service Mr M received was not acceptable and made an offer of £50 for the inconvenience caused.

As Mr M was not happy with UKI, he brought the complaint to our service.

Our investigator upheld the complaint. They looked into the case and said due to the ongoing issues Mr M had encountered with his direct debit UKI had said it would check the system daily. As it didn't carry out the checks it had contributed to the cancellation of his policy. They said the £50 compensation already paid by UKI should be increased to £250 due to the inconvenience this matter caused Mr M.

As UKI is unhappy with our investigator's view the complaint has been brought to me for a final decision to be made.

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.

In this case there were issues with Mr M's direct debit payment after he tried to make the changes in early November 2022.

The change to his direct debit did not happen correctly in the month following the change, and a payment was taken from both his bank accounts. UKI noted it believed a system error may have occurred. It said it had reconfirmed the correct direct debit detail.

I saw that Mr M was notified by text and email in December 2022 that his direct debit was overdue so made a manual payment. Then on 26 January 2023 and 27 January 2023 he received the same messages again that his direct debit was overdue. Within the email it gave notice of cancellation if he did not get in touch.

UKI also contacted Mr M by phone on 26 January 2023 and he made a manual payment to cover the failed direct debit on this date. He was told that UKI were undertaking a daily check on his direct debit to ensure there were no issues. So I can understand why he would have thought he had already done what the emails said which was to make payment and ensure his direct debit instruction was in order.

I after Mr M made a manual payment in January 2023 UKI's agent noted it was unable to adjust his direct debit schedule until the represented direct debit failed. It said Mr M's policy was showing as paid until the March instalment.

UKI's finance team noted this payment had been taken by its agent outside of agreed steps and had been wrongly applied to the February 2023 direct debit. It should have been applied to the failed payment. It said daily checks for a failure should be made and finance should be informed if and when, so it could change the collection date to the agreed direct debit date.

UKI cancelled Mr M's policy after giving him notice within the failed direct debit email. In this case because there were known issues with Mr M's direct debit transactions I think UKI should've made other attempts to contact him when the direct debit failed again. However as the agreed daily checks did not take place this did not happen.

UKI confirmed that Mr M's policy was cancelled on 9 February 2023 because the direct debit instruction had been cancelled. It did not cancel it due to a missed payment. The payments were not in arrears and the next payment was not due until 24 February 2023.

Mr M confirmed he did cancel the *original* direct debit once he made the last payment over the phone and after he was assured by UKI that everything had been switched over to the new account details.

In this case there has been a breakdown of clear communication between UKI's internal departments and its automated systems. If the daily checks had taken place as agreed it would have identified that the direct debit had again failed, and that this had triggered a cancellation letter to be sent.

UKI agreed there were issues with Mr M's direct debit. It accepted it was unable to undertake the daily check on Mr M's direct debit as it had agreed to do. It agreed the service Mr M received was not acceptable and made an offer of £50 for the inconvenience caused.

Mr M said he had driven uninsured for a number of days and could have received penalty points for being uninsured and this should be considered as part of his complaint. However I cannot consider an award for something that could've happened.

After consideration of the details in this case I think the amount of compensation should be increased.

I uphold Mr M's complaint and require it to pay Mr M a total of £250 for the distress and inconvenience caused to him for several months when his direct debits continued to fail. And for the failure of UKI to monitor the collection of his direct debits as it had agreed to do which resulted in his policy being cancelled unnecessarily.

My final decision

For the reasons I have given I uphold this complaint.

I require UKI Insurance Limited to pay Mr M a total of £250, less any amount already paid, for the distress and inconvenience caused to him for several months when his direct debits continued to fail. And for the failure of UKI to monitor the collection of his direct debits as it had agreed to do .

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 22 September 2023.

Sally-Ann Harding
Ombudsman