

The complaint

Mr N complains about how U K Insurance Limited trading as Darwin ("UKI") handled the cancellation and refund of premium under his car insurance policy.

What happened

Mr N bought a policy with UKI in 2021. The policy renewed in January 2022. He then sold his car in June 2022 and cancelled the policy.

Mr N paid for his 2022 policy using a third-party finance company, who I'll refer to as P. He paid a monthly amount to P. P paid UKI the annual premium to UKI on his behalf.

When he cancelled the policy, UKI told him that he was due a refund.

It applied a £50 cancellation fee and said it refunded the due amount by cheque. Mr N didn't receive the cheque.

Mr N complained. UKI refunded £109.85 to a payment card Mr N had used in 2021 when he'd bought his original policy. Mr N didn't use that account any more, but he later confirmed that the money had been received into this bank account.

P chased Mr N for his monthly payments, but Mr N told it he'd cancelled his policy. He contacted both P and UKI several times to sort out the cancellation.

UKI apologised for Mr N's inconvenience and waived its cancellation fee. But it said Mr N owed it money from the time he'd been on cover with it. It said he owed £114.07, which is the amount of the refund it had sent him plus the remainder of the premium. It said it wasn't able to recover the money it'd paid into Mr N's account because the card details had expired.

Mr N remained unhappy and brought his complaint to this service. He is unhappy about UKI's service. He says he has had to do its work for it and he'd expect UKI to inform B about the cancellation of his policy. He says he'd have paid the small charge he owed for cover, and the cancellation fee, but he thinks UKI should take account of its errors and waive the amount he owes.

Our investigator looked into Mr N's complaint and didn't uphold it. She said she thought UKI had made errors, but Mr N had still received the mistakenly-paid refund and had benefitted from it. She thought it was fair of UKI to waive the cancellation fee of £50.

Mr N didn't agree with the view and asked that his complaint was reviewed by an ombudsman. So, his complaint has been passed to me to make a final decision.

I issued a provisional decision to allow both parties to consider things further. This is set out below:

It's my role to look at UKI's actions and decide whether what it did around cancelling Mr N's insurance policy was fair and reasonable.

I can see from the file that UKI made an error when it originally told Mr N that he would get a refund. I think I should mention that, perhaps, Mr N should have realised that he had separate agreements with P and UKI and queried the amount at that point. But I take his point that he's not an expert in these matters.

Our investigator asked UKI why it used Mr N's previous card details to carry out a refund and it said it had to use those to comply with money laundering legislation. I take UKI's point here, but Mr N didn't use those payment details to pay his premium – P paid it for him. So I can't follow UKI's logic in this situation – it should have refunded P.

I would normally expect to see UKI notify P when the policy has been cancelled. In this case, it took UKI two months to do this because of the way it was set up on its system. In Mr N's case, this meant that UKI had to manually access his account before it realised the refund shouldn't have been made to him. I don't think this is good enough service for UKI and I'd expect that it would be able to not make the original error, or be able to recognise its error much faster.

All of this leaves Mr N in a situation where he has benefitted somewhat by an amount being paid into an old bank account. I understand that Mr N no longer uses that account, but it's also clear from his evidence that the bank account in question has some value to him.

Mr N also owes UKI £4.22 for the remaining premium, which I've calculated from the final amount owing less the refund UKI sent (£114.07-109.85).

Taking everything into account, I think the fair outcome here is that Mr N pays UKI the £4.22 he owes for the time on risk, and UKI waives the refund it paid in error. I'm not intending to award Mr N anything extra for his distress and inconvenience because he has the benefit of an amount in a bank account, and because UKI has already waived its £50 cancellation fee.

Responses to my provisional decision

Mr N accepted my provisional decision. UKI responded and didn't agree. It said it had waived its cancellation fee because of its mistake. It didn't think Mr N should be able to keep the money it'd refunded to him.

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've read UKI's response to my provisional decision carefully. Its position is that it admits it made an error, but Mr N wasn't entitled to the money it had paid him.

But I don't agree. I asked UKI to tell me how it had set up the premium payment plan with the third-party finance company and it responded that it use a manual process to do this. What this would seem to mean is that, when Mr N cancelled the policy, there was no automatic way of unwinding the plan and that UKI needed to do this manually as well.

From the evidence I have, UKI didn't do this, and I can't say that's in any way Mr N's fault.

Then UKI issued a refund, once by cheque and then into his bank. So at any point it should have realised the error and checked with Mr N.

He then had to call UKI repeatedly to fix the error it reasonably caused. And I've said above it took two months for UKI to manually verify what its mistake had been.

I can see from Mr N's evidence that he was frustrated by UKI's lack of ability to understand the position he was in and that he feels he has effectively had to do UKI's job for it.

Put simply, I don't think it's fair that UKI made a series of errors with Mr N's account over a period of time, and then ask for the money to be returned. Mr N has explained he was happy to pay for the remaining time he was on cover and I think this is fair.

My final decision

For the reasons set out above, my final decision is that I uphold this complaint. I direct U K Insurance Limited trading as Darwin to waive £109.85 from Mr N's account.

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

Richard Sowden
Ombudsman