

## **The complaint**

Mr H complains that West Bay Insurance Plc unfairly gave notice of their intention to cancel his motor insurance policy.

## **What happened**

Mr H insured two cars with West Bay on separate policies. The first car was damaged in an accident and Mr H made a claim. West Bay concluded that the car should be a Category B write off and taken off the road due to the damage caused.

Mr H disputed this and referred a complaint about the vehicle categorisation (as well as other matters relating to the claim) to our service. At the conclusion of our investigation, I issued a final decision saying I thought West Bay had acted fairly. I'm aware Mr H didn't accept our decision and continues to dispute the categorisation of the vehicle.

While Mr H's complaint about the categorisation of the car was ongoing, West Bay informed him that it intended to cancel his other policy. Mr H complained about this and West Bay said it would no longer cancel the policy but wouldn't offer a renewal when the policy expired.

Mr H remained unhappy with West Bay as he said that the notice to cancel the policy had had a very serious impact on his health. He referred the complaint to our service. Our investigator thought West Bay hadn't acted fairly and should pay Mr H £450 compensation. West Bay didn't agree with this and asked for an ombudsman's decision.

On reviewing the complaint, I believed that the complaint should be upheld, for broadly the same reasons as our investigator. However, I considered that the suggested compensation amount was too high, and that £250 more fairly reflected the impact on Mr H. I therefore issued a provisional decision.

Mr H accepted my provisional decision. West Bay said it didn't accept my findings, but didn't make any additional points or provide any further information.

## **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 has raised any additional points in response to my provisional decision, I don't intend to expand on my reasons why I consider the complaint should be upheld, or why £250 is a fair compensation amount. I remain satisfied this is a fair outcome having considered all of the information available to me. My provisional decision said:

When it gave notice of its intention to cancel the policy, West Bay referred to the terms and conditions which say West Bay *"may cancel this policy by giving you seven days' notice in writing, to your most recent address we have for you."*

It isn't disputed that West Bay did send written notice to Mr H, outlining its intention to cancel the policy in seven days. This is what the policy terms and conditions say it can do. There's

no list of reasons given for cancellation the policy, or requirement in the condition that West Bay give reasons.

Insurers have an overarching duty to treat their customers fairly. It's fair to say that a decision to cancel a policy should only be taken where that action is a reasonable response in the circumstances. For example, we'd generally say that an insurer is entitled to give notice to cancel a policy (while giving the policyholder the right to cancel within that notice period) if the risk presented to the insurer had changed significantly within the period of cover.

A policy being cancelled by an insurer is something which would need to be disclosed when asked, for example by a future insurer, and would be likely to influence an insurer's decision about whether to accept cover, and on what terms.

West Bay says it gave this notice to cancel because of what it described as Mr H's "*lack of co-operation and your intentions to restore and the use the Category B written off vehicle.*" It said his intention to do so was "*deemed as dangerous and illegal*" and his actions "*have been deemed unreasonable and unsafe.*"

Mr H says he thinks West Bay were victimising him, because of his ongoing dispute about the categorisation of the vehicle, and his refusal to accept it should be a Category B write off. He's told us that if the policy were to be cancelled by West Bay, he'd have to tell his employer and he'd lose his job. At the time of West Bay informing him it intended to cancel, he was due to return to work following long term sickness, but has said that West Bay's actions caused his health to deteriorate.

I understand West Bay had concerns about Mr H's intention to repair and return to the road a vehicle that it had said should be disposed of. However, I don't think that it was fair to give notice that it intended to cancel a policy which covered a different car.

I say this for two main reasons. The first is that the policy being cancelled was wholly separate from the policy on which Mr H had made the claim and was disputing the vehicle categorisation. I can't see how any of Mr H's actions in regards to that claim had any material effect on the cover he had with this policy. West Bay hasn't provided any evidence in the form of its underwriting criteria or other information which suggests that the risk level of this policy was higher as a result of Mr H's actions. Mr H's intention was to repair the vehicle, but that doesn't affect the road worthiness or West Bay's potential liabilities on the other vehicle insured under this policy.

I also note that at the time of sending this letter, Mr H had indicated his intention to repair the other vehicle. Repairs to the vehicle hadn't been carried out, and there's no indication Mr H was using the vehicle at the time.

I'm not sure it was reasonable to cancel the policy based on what Mr H had indicated he intended to do, as opposed to him having actually repaired the car and started using it – if that was the case I could potentially understand West Bay's reluctance to continue insuring him on the separate policy. The vehicle in question was (and remains) subject of a dispute around the categorisation and whether it could be safely repaired. It wasn't being used by Mr H in an allegedly illegal or unsafe way.

There's one other point I think I should mention briefly. If West Bay had concerns about Mr H acting illegally, and of the effect this could have on this policy and the cover available, then I'd question why it reversed its decision when he complained and agreed not to cancel the policy but rather not offer renewal when the policy expired. The policy had around 8 months cover remaining at the time, and so West Bay had changed from saying that it wasn't

appropriate to cover Mr H any further, to agreeing to do so for a significant period of time. This suggests to me there was no material change in the risk on this policy.

So on balance, I'm not satisfied that West Bay acted fairly when it gave notice to cancel the policy. It can make a business decision, based on the conduct of a policyholder, not to offer renewal of the policy at expiry, and I wouldn't criticise its right to do so. I note this was the position it adopted after Mr H complained.

I understand the effect of the letter on Mr H was significant. His impression from the letter was that because he'd disputed what West Bay should happen to his damaged vehicle, West Bay had unilaterally decided to cancel his other policy. I can understand why he felt he was being victimised by West Bay, and I agree that he wasn't treated fairly.

I'm also conscious that Mr H would have been affected by needing to tell his employer if the policy was cancelled. He'd have been concerned for his job security if he did so, as he's employed as a driver. He was also have been aware that if the policy was cancelled, he was likely to face difficulties in securing alternative cover, and significantly increased premiums.

West Bay was aware of Mr H's ill health following the accident, and I do think the unfair decision to give notice to cancel the policy could have been foreseen to have a significant impact on Mr H.

However, I'm conscious as well that there was a matter of days between Mr H receiving the letter about the policy being cancelled and West Bay reversing its decision and saying the policy wouldn't be cancelled. I'm satisfied West Bay acted quickly to resolve the matter and so the length of time that Mr H was caused distress before the threat of cancellation was withdrawn was relatively short.

For the reasons outlined above, I believe that £250 compensation fairly reflects the distress and inconvenience caused to Mr H, taking into account the impact on his health but that it was for a short period of time.

### **My final decision**

It's my final decision to uphold Mr H's complaint. To put things right, West Bay Insurance Plc must pay Mr H £250 compensation. West Bay must pay this amount within 28 days of us telling it Mr H accepts our decision. If it doesn't, it must pay simple interest at a rate of 8% on this amount from that date to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 18 July 2023.

Ben Williams  
**Ombudsman**