

The complaint

Mrs Q complains that Liverpool Victoria Insurance Company Limited (LV) cancelled her motor insurance policy and then wouldn't cover a claim. She wants it to cover the claim.

What happened

Mrs Q took out a policy with LV and arranged to pay her premium by monthly instalments. Mrs Q then changed her payment card and missed a month's payment. LV emailed Mrs Q about this, but the emails went into her spam folder and Mrs Q didn't see them. LV then cancelled the policy. Mrs Q was then involved in an accident and LV told her the policy had cancelled. Mrs Q was left with two personal injury claims and points on her licence. She said this was causing her acute stress. Ms Q took out a new policy with LV.

Our Investigator recommended that the complaint should be upheld. He accepted that Mrs Q had taken an online only policy from LV so it would contact her only by email. But he thought LV should have used another method of contact when Mrs Q's payment failed and so avoided cancelling her policy. He thought LV should refund any cancellation fees with interest, remove any cancellation markers, recalculate her premium, deal with the claim, provide Mrs Q with a letter stating that the policy had been cancelled in error, and pay her £500 compensation.

LV replied that it thought Mrs Q knew that her policy was online only, and it thought she was responsible for managing her email account. It also thought Mrs Q should have noticed that the payment hadn't been taken.

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 can understand that this has been a stressful and frustrating experience for Mrs Q. Our approach in cases like this is to consider whether the insurer's acted in line with the terms and conditions of the policy and fairly and reasonably.

LV said Mrs Q's policy was self-service and online only. And I can see that its policy documents state that it is entitled to cancel a policy with seven days' notice if a payment hasn't been received. LV didn't receive Mrs Q's payment because her card had been changed and she hadn't updated her account online. It chased this once, and then again, warning her that the policy would cancel unless the payment was received. It then cancelled the policy.

I agree that this was done in keeping with the policy's terms and conditions. But I'm not satisfied that LV has acted fairly or reasonably in Mrs Q's particular circumstances. I'll now explain why I think this.

The Investigator has explained that this service believes that insurers should take reasonable steps to ensure that policy holders are told that their policy has been cancelled as this will have serious consequences for them and expose them to possible court action. And we usually consider that insurers should communicate impending cancellations using at least two communication methods.

LV said Mrs Q's policy was online only and she could access her online account and it sent her emails warning her about the cancellation. But Mrs Q said she didn't access her online account, and LV has provided evidence to show that her account hadn't been accessed after she took out her policy. And LV's emails, including her welcome pack, went to her spam folder. So Mrs Q didn't notice or read them.

LV said it warned consumers to add LV as a safe sender on their email accounts to avoid this. And I can see this is on the banner of its emails sent to Mrs Q. But Mrs Q didn't access these emails, and so she wasn't warned of this. And I think LV was aware there was a risk of this happening because it added the banner warning.

LV provided an example of another complaint that has come to our service where it was found to have acted fairly and reasonably when it cancelled a policy for non-payment. But we consider each complaint on its individual merits, and I can see that this previous complaint has several significant differences to Mrs Q's complaint:

- The previous complainant had missed previous payments but had corrected this after receiving emails from LV. So they had received and responded to LV's emails on previous occasions. But Mrs Q had missed just one payment and hadn't opened LV's emails.
- The previous complainant had accessed their online account to make missed payments. But Mrs Q hadn't accessed her account and so wouldn't have seen any warnings of missed payments there. And LV could have checked that she hadn't accessed her account, but it still progressed the cancellation.

So I don't think it would be fair or reasonable to consider both complaints on the same basis.

So Mrs Q had missed one payment after five months' regular payments. I don't think it's fair to expect Mrs Q to have noticed one missed payment. But I accept that it was for Mrs Q to access her online account to check her policy, and this may have avoided the cancellation.

But I also think LV should have tried to contact Mrs Q using at least one other method. Its cancellation terms and conditions say that LV will send a letter or email notifying a cancellation. So written communications were possible. LV had Mrs Q's phone number. So when she didn't respond to its emails, I think it should then reasonably have written to Mrs Q or texted her.

I'm satisfied that Mrs Q didn't intend her policy to cancel and I'm satisfied that if LV had done more then she would have rectified the issue with her card. So I'm not satisfied that LV took reasonable steps to warn Mrs Q that her policy had cancelled.

As a consequence of the unfair cancellation, Mrs Q incurred a charge, LV declined to cover her claim, Mrs Q had points added to her licence (from what I can see this was for driving whilst uninsured), and Mrs Q will have to declare the cancellation to future insurers and will incur increased premiums as a result. And this matter has caused Mrs Q a significant amount of upset and distress.

When a business makes a mistake, as I'm satisfied LV has done here, we expect it to restore the consumer's position, as far as it's able to do so. And we also consider the impact the error had on the consumer.

So, to restore Mrs Q's position, I think LV should refund her cancellation charge, with interest, and remove any records of the cancellation. It should deal with the claim and recalculate Mrs Q's premiums as she has taken out another policy with LV. And I think LV should provide Mrs Q with a letter stating that her policy was cancelled by its error so Mrs Q can ask the court to consider removing points from her licence.

Dealing with this matter, the police, and the claim against her has caused Mrs Q significant trouble and upset. Our Investigator recommended that LV should pay her £500 compensation for this. I think that's in keeping with our published guidance for the impact the error had, so I think that's fair and reasonable.

Putting things right

I require Liverpool Victoria Insurance Company Limited to do the following:

1. Refund Mrs Q any cancellation charges, adding interest at 8% simple per annum from the date taken to the date refunded.
2. Deal with Mrs Q's claim of 15 December 2022 under her policy's terms and conditions.
3. Remove any cancellation marker from any internal or external databases where it's been recorded.
4. Recalculate Mrs Q's current premiums.
5. Provide Mrs Q with a letter confirming her policy shouldn't have been cancelled and was done so because of LV's error.
6. Pay Mrs Q £500 compensation for the distress and inconvenience caused by its unfair cancellation of her policy.

My final decision

For the reasons given above, my final decision is that I uphold this complaint. I require Liverpool Victoria Insurance Company Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs Q to accept or reject my decision before 11 September 2023.

Phillip Berechree
Ombudsman