

The complaint

Mr M complains Liverpool Victoria Insurance Company Limited (LV) unfairly recorded a debt on his credit file after it cancelled his motor insurance policy. And after he settled the balance it failed to update his credit file with this information.

What happened

Mr M made a claim on his motor insurance policy after his car was stolen. The car was not recovered, and LV made a settlement payment.

After the settlement was paid to Mr M, LV informed him he could transfer his policy to another vehicle within 60 days. It said if no contact was made it would cancel the policy and there would be no refund due, and any outstanding premium would need to be paid in full.

As Mr M made no contact with LV the policy was cancelled. And as he did not pay the outstanding premium within the time given it transferred the outstanding amount to a debt collection agency.

Mr M said he would have paid the outstanding amount, but he was not aware there was an amount to be paid until the day before LV transferred the outstanding balance to the debt collection agency.

LV did not agree it failed to inform him of the outstanding premium that needed to be paid. It said it gave him the required notice before passing the balance on to a debt collection agency. It accepted it had failed to progress the cancellation of his policy between January 2022 and March 2022 but said this did not have any impact on the amount he owed.

After Mr M made his complaint he found that there was an outstanding balance on his credit rating. The payment he had made to clear the outstanding amount had not been updated on his credit record. LV agreed this issue could form part of his complaint.

LV sent £50 as a gesture of goodwill for the poor service received from one of its staff members when Mr M called to query the outstanding balance.

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

Our investigator upheld the complaint. They looked into the case and said LV should increase its offer of compensation to £250 to reflect the distress and inconvenience caused by not removing the credit record once the payment had been cleared.

As Mr M 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.

I looked at the correspondence sent by LV to Mr M after his claim had been settled. I saw evidence of the following

- November 2021 - notification of his option to change the policy onto another vehicle within 60 days.
- January 2022 - reminder regarding his option to change the vehicle on his policy or 14 days' notice of cancellation.
- March 2022 - a reminder giving a further seven days' notice of cancellation.
- Policy cancellation letter sent on 9 April 2022 which included a seven-day notice to pay the outstanding premium balance and details of the amount due to be paid.

Mr M didn't receive the seven-day notice letter until the seventh day; however I cannot hold LV responsible for the time it took for him to receive this letter, as this is out of its control.

I saw Mr M contacted LV by phone when he received the letter on 16 April 2022. As he didn't think the LV agent was clear in their explanation of the cancellation he asked for this to be put in writing so he could consider the matter further. This was sent on 17 April 2022.

I saw on 19 April 2022 Mr M received notification from the debt collection company confirming his account was with them. Although I accept the outstanding amount was passed on to the debt collection agency straight after the deadline for payment date, LV had given Mr M the required notice that this would happen, so I cannot say that this was unfair, as he was late with his payment.

I understand Mr M said it was never his intention not to pay any outstanding amount. He said as LV did not explicitly tell him to call them to settle the outstanding amount in its letters sent in January 2022 and March 2022 it was not fair and clear. However although LV did not notify him of the actual outstanding amount before the seven-day cancellation letter was issued, he had been made aware settlement of the full policy premium was due in its letter in November 2011. And he did not pay after receiving the seven-day notice letter which did inform him of the exact amount due.

Mr M acknowledges no agreement was made during the call on 16 April 2022. He said as the LV advisor did not say that the debt would be passed on he made an assumption that there would be a hold on his account. But the letter that he received that instigated his call to LV on this date did explicitly say it would pass his details onto a debt collection agency if payment wasn't received within seven days of 9 April 2022.

Mr M paid the outstanding amount in May 2022 and I saw the debt collection agency emailed him and confirmed his balance was £0.00.

LV said it can take up to 45 days or sometimes longer depending on the date of the month it transfers data across for records to be updated. It is reasonable to think it should have updated by the end of July 2022, but I saw Mr M found the outstanding amount was still recorded in February 2023.

LV said it could not see any reason it had not updated, it said this could be an error made by either itself or the debt collection agency. I saw LV said he should raise a dispute with the debt collection agency.

Although I accept LV said the reason it had asked Mr M to contact the debt collection agency himself to sort out why it had not updated its records, LV is still responsible for everything

relating to the debt and Mr M's customer journey. Therefore I hold LV responsible overall for the delay in the debt being removed from Mr M's credit record.

I have not seen any evidence that Mr M has been impacted negatively by the debt being recorded for longer than it should have been, however if he has evidence of any negative impact caused LV should consider suitable redress.

Therefore, I uphold Mr M's complaint and in addition to the £50 LV has paid for the poor service received from one of its staff members, I require it to pay him a further £200 in compensation for the distress and inconvenience caused by his credit record not being updated in a reasonable timescale once payment was cleared.

My final decision

For the reasons I have given I uphold this complaint.

I require Liverpool Victoria Insurance Company Limited to pay Mr M a further £200 in compensation for the distress and inconvenience caused because his credit record was not updated in a reasonable timescale once payment was cleared.

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

Sally-Ann Harding
Ombudsman