

The complaint

Miss P complains that Skyfire Insurance Company Limited didn't inform her that her motor insurance policy had been cancelled. She wants compensation for the results.

What happened

Skyfire asked Miss P to make an additional payment for her motor insurance policy. Skyfire said it tried to make contact with Miss P on many occasions, but she didn't respond. So it then cancelled her policy. Miss P said she was unaware of this. She was later stopped by the police for driving whilst uninsured, had her car impounded, was fined, and had six points on her licence. Miss P said that if she had been made aware, she would have made the additional payment.

Our Investigator recommended that the complaint should be upheld in part. She thought Skyfire hadn't done enough to warn Miss P about the impending cancellation. But she thought it had reasonably made Miss P aware that the policy had cancelled. So she thought Skyfire wasn't responsible for Miss P being stopped by the police. But she thought it should remove records of the cancellation, provide Miss P with a letter to show her new insurer, and pay her £150 compensation.

Skyfire agreed to do this. But Miss P replied that Skyfire should have prevented her policy being cancelled.

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 Miss P feels frustrated that her policy was cancelled and that she was stopped by the police. She's explained that this has had financial consequences for her, and she has an additional six points on her licence.

The problem arose when Skyfire asked Miss P for information to validate her policy and an undisclosed fine was found. Skyfire then recalculated Miss P's premium and asked her to pay an additional amount. But Miss P said she wasn't made aware of this and didn't respond so Skyfire cancelled her policy.

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 think insurers should use at least two means of contact, or two emails on different days, to warn consumers about their policy being cancelled.

Skyfire said it sent Miss P texts and emails. But it didn't send Miss P any texts about the additional premium or the cancellation. It did send Miss P three emails. But there's no evidence that Miss P opened the email warning her of the cancellation.

Miss P did open one email telling her that her policy had been cancelled on that date. But I'm satisfied that Skyfire didn't make Miss P sufficiently aware of how she could avoid the

cancellation. I think Miss P would have made the additional payment if it had made her aware of this. And so I think it unfairly cancelled her policy.

Miss P was stopped by the police three months later for driving whilst uninsured. Miss P had already been told her policy had been cancelled as she had opened Skyfire's email telling her this. And I can see that Skyfire's collection agency contacted Miss P multiple times by email and texts in the next few months to try and recover the outstanding balance on her account. And I can see that Miss P opened these emails.

Miss P has provided us with these emails, but she said she didn't know why she was receiving them. However, I think Miss P should have realised from the cancellation breakdown email she opened that her policy had been cancelled. And I think she should have acted to make sure her car was insured. So I can't reasonably hold Skyfire responsible for the consequences of Miss P not being insured when she was stopped by the police.

When a business makes a mistake, as Skyfire accepts it has done here by unfairly cancelling Miss P's policy, 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.

To restore Miss P's position, I think Skyfire should remove any records of the cancellation from any databases where it's been recorded. It should then provide Miss P with a letter confirming that the cancellation has been removed so that she can ask her new insurer to reconsider her premium. The cancellation has caused Miss P trouble and upset, so I think Skyfire should pay her £150 compensation in keeping with our published guidance. And Skyfire should reimburse Miss P the cancellation fee it applied, with interest.

Putting things right

I require Skyfire Insurance Company Limited to do the following, as it's already agreed to do:

1. Remove records of the cancellation from any internal and external databases where it's been recorded.
2. Provide Miss P with a letter stating that the cancellation has been removed.
3. Pay Miss P £150 compensation for the distress and inconvenience caused by its cancellation of her policy.
4. Refund the cancellation charge Miss P paid, adding interest to this at the rate of 8% simple per annum from the date of payment to the date of refund. If Skyfire considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss P how much it's taken off. It should also give Miss P a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons given above, my final decision is that I uphold this complaint in part. I require Skyfire Insurance Company Limited to carry out the redress set out above, as it's already agreed to do.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 18 September 2023.

Phillip Berechree
Ombudsman