

The complaint

Mr J complains that Advantage Insurance Company Limited unfairly cancelled his motor insurance policy.

What happened

In early 2022, Mr J had a car. He insured it on a comprehensive policy for the year from 1 March 2022. The policy was in the name of an insurance intermediary. Advantage was the insurance company that was responsible for offering cover, setting premiums and cancelling the policy.

Much of the complaint is about acts or omission of the intermediary on behalf of Advantage. Insofar as I hold Advantage responsible for such acts or omissions, I may refer to them as acts or omissions of Advantage.

Mr J was the policyholder. His father was a named driver. The policy covered social, domestic, pleasure and commuting. The statement of insurance recorded that Mr J was employed as a car valet.

For the year from 1 March 2022 to 28 February 2023, Mr J had agreed to pay about £1,200.00 including breakdown cover and interest for paying by instalments. The instalments were each about £100.00 and the last one was due on about 20 January 2023.

On about 21 December 2022, Mr J was driving to deliver pizza for a well-known company when he and a third party were involved in an accident. The pizza company was the policyholder of insurance that provided third party cover to Mr J while he was driving for its business. Nevertheless, the third party contacted Advantage.

By a letter dated 16 January 2023 Advantage referred to the claim and to use of the vehicle outside the scope of cover. Advantage gave Mr J seven days' notice that it would cancel the policy from 23 January 2023.

Mr J complained to Advantage that it hadn't treated him fairly. By a final response dated late February 2023, Advantage turned down the complaint. Mr J asked us to investigate.

our investigator's opinion

Our investigator recommended that the complaint should be upheld. He didn't think that there had been increased risk to Advantage that warranted Mr J's policy being cancelled. The investigator recommended that Advantage should:

1. provide a pro-rata refund of the premium that Mr J paid if they hadn't already; and
2. pay 8% simple interest from 23 January 2023, when the policy was cancelled, until he is refunded; and
3. pay Mr J £200.00 in compensation for the distress and inconvenience; and
4. remove this cancellation from all insurance records.

my provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Mr J and to Advantage on 24 August 2023. I summarise my findings:

As there had been a fundamental change in the risk, I was minded that it was fair for Advantage to cancel the policy.

I didn't consider that Advantage caused the inconvenience unfairly. So I wasn't minded to find it fair and reasonable to direct Advantage to pay Mr J compensation for distress and inconvenience.

Nevertheless, it wasn't Mr J's fault that Advantage didn't insure delivery drivers.

Subject to any further information from Mr J or from Advantage, my provisional decision was that I upheld this complaint in part. I intended to direct Advantage Insurance Company Limited to:

1. write a letter to Mr J (which he may show to any current or future insurer) saying that Mr J rather than Advantage cancelled his policy in January 2023; and that it has recorded that on any internal and external databases on which it has recorded information about the cancellation.

Mr J accepted the provisional decision. He confirmed that he changed his vehicle before the accident. But he asked what was the increase in risk to Advantage.

Advantage didn't respond to the provisional decision.

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.

The policy documents dated March 2022 referred to a car with an "09" registration plate. The total cost was going to be about £1,250.00.

By the time of the cancellation letters dated mid- January 2023, the intermediary referred to a vehicle with a "63" registration plate. It said Mr J had already paid about £1,290.00 and it was refunding about £20.00.

Mr J didn't complain about those amounts. So I won't direct Advantage to make any (further) refund or to pay interest.

However, the change of registration and the increase in cost caused me to infer that – between March 2022 and January 2023 – Mr J had told Advantage he had changed his vehicle. In response to the provisional decision, Mr J has confirmed that this change had happened before the accident in December 2022.

The final response mentioned the Consumer Insurance (Disclosure and Representations) Act 2012 and suggested that Mr J had given incorrect information. But I haven't seen enough evidence to show that Mr J was already a delivery driver and gave incorrect information about his occupation when he took out the policy in March 2022 or on any later variation of the policy.

Nevertheless, the policy terms included the following:

“The Policy will need to be updated in the app or MyAccount if:

...

- You, or any insured driver/s, change the type of job they do*
- You or any insured driver intend to change any of the Car/s on your Policy*
- You want to change what you use your Car/s for (i.e. for business)...*”

The Insurance Product Information Document included the following:

“What are my obligations?

You’re required to keep to the conditions shown in your full policy documentation.

Some examples of these are:

...

- ☐ *You must tell us as soon as possible about any changes in circumstances such as any changes to your car, the health of any person driving, any motor accidents, fixed penalty offences or motoring convictions*
- ☐ *You must tell us as soon as possible if you have had a loss, accident or theft”*

So I’m satisfied that Advantage had highlighted the requirement for Mr J to tell it of any changes in circumstances and of any accident.

The policy booklet also included the following:

“Our rights to cancel your Policy

We may give you seven days’ notice of cancellation

We and your Insurer can cancel your Policy at any time by sending you seven days’ written notice to the last postal or email address on our system, stating why the Policy has been cancelled. We can only do this for one of the following reasons:

...

- ☐ *You don’t provide reasonable co-operation to us or your Insurer in order to allow us to process your Policy, or a claim, or to defend our interests*
- ☐ *Your Insurer is prevented from providing cover under this Policy by law or other reason*
- ☐ *You don’t send us or your Insurer information or documentation that your Insurer reasonably requires to process your Policy, or a claim, or to defend their interests...”*

We often say that it’s only fair for an insurer to cancel a policy because of a mid-term change if it is a fundamental change in risk.

In Mr J’s case, I accept Advantage’s evidence that its underwriting criteria prevented it from providing cover to anyone with the occupation of delivery driver. As that was a driving job, I accept that Mr J’s change to being a delivery driver was a fundamental change in the risk to Advantage.

I say that notwithstanding that his employer provided him with third party cover while working. Advantage didn’t want to insure delivery drivers at all, even when they weren’t working.

Mr J accepted the provisional decision but asked what was the increase in risk to Advantage. He reiterated that his employer’s insurer rather than Advantage was responsible for third party risks while he was working.

In my view, Advantage was free to make its own assessments of risk, and it had decided it didn't wish to insure delivery drivers even when they weren't at work. So I accept that Mr J's change to being a delivery driver was a fundamental change in the risk to Advantage.

Also, Advantage found out that Mr J was a hot food delivery driver after the third party made a claim. Mr J hadn't contacted Advantage to update his occupation or to report the accident.

Mr J hasn't raised any issue about the means of communication Advantage used to give him notice of the cancellation. So I'm satisfied that he received those communications.

As there had been a fundamental change in the risk, I consider that it was fair for Advantage to cancel the policy.

I don't under-estimate Mr J's inconvenience at having to arrange replacement cover about a month earlier than he was expecting. However, I don't consider that Advantage caused this inconvenience unfairly. So I don't find it fair and reasonable to direct Advantage to pay Mr J compensation for distress and inconvenience.

Putting things right

Nevertheless, it wasn't Mr J's fault that Advantage didn't insure delivery drivers. So I will direct Advantage to write a letter to Mr J (which he may show to any current or future insurer) saying that he rather than Advantage cancelled his policy in January 2023; and that it has recorded that on any internal and external databases on which it has recorded information about the cancellation.

My final decision

For the reasons I've explained, my final decision is that I uphold this complaint in part. I direct Advantage Insurance Company Limited to:

1. write a letter to Mr J (which he may show to any current or future insurer) saying that Mr J rather than Advantage cancelled his policy in January 2023; and that it has recorded that on any internal and external databases on which it has recorded information about the cancellation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 8 October 2023.

Christopher Gilbert

Ombudsman