

The complaint

Mr H complains UK Insurance Limited trading as direct line (UKI) incorrectly recorded a debt against his credit file after he cancelled his motor insurance policy. He said this caused him stress and inconvenience, and affected him when applying for finance.

What happened

In 2021 Mr H held a motor insurance policy with UKI. The policy was due to renew in December 2021. Mr H cancelled it on the renewal date.

UKI pursued Mr H regarding an outstanding balance. And then as it was not paid this information was recorded on his credit file.

In May 2023 Mr H found there was a debt recorded on his credit file which was from UKI. He contacted UKI and it agreed it had made an error. It said it was a system fault. It contacted the debt agency to remove the record of the incorrect debt and to fix his credit score. And it removed the outstanding amount from his policy.

UKI compensated Mr H with £150.

As Mr H was not happy with UKI, he brought the complaint to our service.

Our investigator upheld the complaint. They looked into the case and did not find UKI's compensation offered a fair reflection of the impact on Mr H due to the length of time this information was held on his credit file. They said it should be increased to £300 which is in line with our services guidance.

As UKI 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 saw that Mr H's policy renewed in December 2021. I saw UKI made him aware of this in correspondence sent to him in November 2021. I have not seen any evidence that Mr H contacted UKI to cancel the renewal, so the policy correctly renewed on the due date.

I saw that Mr H cancelled his policy on the date of renewal. As per the terms and conditions of his policy no premiums were due as he had cancelled within the cooling off period.

I saw UKI sent letters to Mr H in mid-December 2022 and at the start of 2023 saying there was an outstanding amount due to be paid. As Mr H did not respond, UKI recorded an outstanding debt on his credit file.

In May 2023 Mr H found there was an outstanding debt recorded on his credit file by UKI. This reduced his credit rating score quite significantly. He said the incorrect reduction in his credit score had prevented him obtaining a car finance deal. And he said he had difficulties finding a private rental property.

I saw when Mr H contacted UKI it accepted it had made an administration error and incorrectly recorded an outstanding amount on his account. It said this was a system error.

UKI organised for the debt to be removed from his credit file and for his credit score to be fixed.

Mr H has not sent any evidence to confirm any financial loss was caused to him directly due to UKI's error, so I am unable to be certain the error made by UKI was the reason for the issue with his car finance application or rent. However the fact remains that due to UKI's administration error, Mr H's credit record was incorrect, and his credit score was reduced significantly for a period of approximately five months.

Due to the length of time incorrect information was recorded on Mr H's credit file because of UKI's mistake, I do not think £150 is a fair amount of compensation. I require UKI to increase the compensation to a total of £300. I think this is fair and reasonable in the circumstances of this complaint and in line with our services guidance.

Therefore, I uphold Mr H's complaint and require UKI to pay a total of £300 compensation less the £150 already paid.

My final decision

For the reasons I have given I uphold this complaint.

I require UK Insurance Limited trading as direct line to pay Mr H a total of £300 compensation less the £150 already paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 19 December 2023.

Sally-Ann Harding
Ombudsman