

## **The complaint**

Mr A complains that Automobile Association Insurance Services Limited (“AA”) cancelled his motor insurance policy.

## **What happened**

As the circumstances of this complaint aren’t in dispute, I’ll summarise my findings.

- Mr A took out a motor insurance policy through AA in November 2022. It was underwritten by a different company. He paid for the policy monthly, via a credit agreement provided by AA.
- Later in November, AA wrote to Mr A. It said his bank had let it know he’d cancelled his direct debit and he should get in touch with AA straightaway. In December, AA wrote to him again and said it hadn’t been able to collect the monthly payment due, so Mr A was in default. It again asked him to contact it straightaway and said it would cancel the insurance policy in early January if it was unable to take a payment. It sent him a final letter in January to confirm the policy had been cancelled.
- After this, Mr A was stopped by the Police for driving without insurance. He complained to AA. He said he hadn’t been made aware the policy had been cancelled and the cancellation wasn’t in line with the policy. He also said he hadn’t missed a payment, as the policy was cancelled before the first one was due. As a result of the cancellation, he said he had to go to Court to defend his position, which had caused him distress, and he was fined £350. He also had to buy temporary insurance at a cost of £40.60.
- AA said the policy was cancelled correctly and the correct process had been followed in order to do that. It said the root cause of the problem was Mr A cancelling the direct debit.
- Our investigator didn’t think AA had acted fairly. She said the letters had been properly addressed to Mr A but, given the serious implications of him not having insurance in place, she thought it would have been in line with good industry practice to have used a second method of communication – especially given widespread postal strikes at the time, and Mr A’s preferred method of contact being email. To put things right, she suggested AA provide Mr A with a letter of explanation for him to share with the relevant authorities, remove any cancellation markers, pay £750 for the distress and inconvenience Mr A suffered and £390.60 for his financial losses.
- AA didn’t think this was fair. It said it had acted in line with its policy – and the problem had been caused by Mr A cancelling the direct debit himself. And it thought it unlikely, even with the postal strikes, that Mr A hadn’t received the letters in time.

## **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 key point of this dispute is that AA cancelled the policy – and Mr A doesn't think this was fair.
- This dispute arose because Mr A cancelled his direct debit. He says that at the time, a problem caused him to have two AA direct debits setup for the same policy. So he cancelled one to avoid duplicating payments. That sounds reasonable to me.
- The policy says AA has the right to cancel the policy by sending at least seven days notice to the last known address if a default notice is sent.
- Where there isn't a default, the policy says AA may cancel it if 'there are grounds to do so'. It goes on to provide a list of examples where that might apply. Relevant here is 'non-payment'. Again, at least seven days notice will be sent to the last known address.
- AA accepts that at the time it cancelled the policy, there was no default. And Mr A hadn't missed a payment because no payment was due by that point. So the policy terms didn't give AA the right to cancel the policy.
- AA says that because the direct debit had been cancelled, it was right for it to alert Mr A about that. And when he didn't reinstate the direct debit, that showed he didn't wish to pay for the policy, so a default would have been inevitable.
- I agree that it was, in principle, right for AA to let Mr A know his direct debit wasn't in place and that would have an impact on his policy unless he did something about it. But I don't agree that Mr A's lack of response to AA triggered any of the reasons set out in the policy that would give AA the right to cancel the policy.
- And, like our investigator, I'm not satisfied the way AA communicated with Mr A was effective in the circumstances.
- AA told our investigator Mr A's preferred method of contact was email. But this only applied to 'standard policy documents'. For any other correspondence, AA chooses the method of contact and this is set out in the policy document.
- I agree with AA that the policy refers to it providing 'written' notice to Mr A. The letters are correctly addressed and I have no reason to doubt they were sent, so I don't think it's AA's responsibility if the letters didn't reach Mr A. However, I bear in mind that the consequence of cancelling a policy, particularly a motor policy which is a legal requirement, can be significant for a consumer. So I would usually expect to see a consumer's communication preferences taken into account. And I think it's generally good industry practice to use two means of communication.
- In this case, that would mean sending Mr A emails, as well as the letters. Had it done so, I think it's likely Mr A would have received them and would have taken prompt action to reinstate his direct debit and continue with the policy. The only reason he didn't do this was because he said he didn't receive the letters.
- Overall, this means I don't think AA followed the policy terms when it cancelled the policy. And, whilst it followed the policy terms by writing to Mr A, I don't think that treated him fairly and reasonably in the circumstances. As a result, I'm not satisfied AA should take steps to put things right.

- I understand Mr A has taken out a new motor policy, so there's no need for AA to reinstate the cancelled policy. But it should ensure any cancellation markers are removed from any internal or external databases. AA should also provide a letter of explanation for Mr A, which he can share with any relevant authorities and/or other insurance companies as he wishes.
- Following this decision, and with any cancellation markers removed, Mr A can let his new insurer know. And if the premium has taken the cancellation into account, the insurer can adjust the premium accordingly.
- Because Mr A was stopped by the Police and found to be driving without insurance, he incurred a £350 Court fine and had to buy a temporary policy for £40.60. I'm satisfied both these costs are financial losses which flowed directly from the policy being unfairly cancelled – so I think AA should pay Mr A these costs.
- Mr A has described how distressing he found being stopped by the Police and the thought of having to defend his position in Court. I can appreciate that it must have been a particularly shocking and concerning experience. And it's been a frustrating, prolonged experience trying to put that right with AA. In these circumstances, I'm satisfied £750 compensation is fair and reasonable.

### **My final decision**

I uphold this complaint.

I require Automobile Association Insurance Services Limited to:

- Provide Mr A with a letter of explanation.
- Remove any cancellation markers from any internal or external databases.
- Pay £750 compensation.
- Pay £390.60 for financial losses.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 4 January 2024.

James Neville  
**Ombudsman**