

The complaint

Mr H complains about cancellation of his motor insurance policy by his insurer, esure Insurance Limited (esure).

References to esure in this decision include their agents.

What happened

In August 2022 Mr H purchased a new vehicle and needed to insure it through a new policy. He contacted esure to ask them to cancel his existing policy, under which he was paying a monthly premium. However, esure didn't cancel the first policy, continuing to take monthly premiums for both policies. In respect of the original policy Mr H asked to be cancelled, esure took two payments, one in August 2022 (£125.98) and one in September 2022 (£125.90) making a total of £251.88.

Unhappy at what happened, Mr H complained to esure. In their final response, dated November 2022, they said that while they provided their staff with training and support, it was disappointing Mr H had been misadvised when he contacted them to change his policy cover. Esure said they would ask Mr H to contact them to arrange a refund of the two payments they'd deducted in respect of his old policy.

However, due to a clerical error, esure didn't action the refund. Mr H then complained to this Service. He was unhappy at, in effect, having two policies and being told he would be refunded one of the policies. He'd lost out financially and been taken into an overdraft position from esure taking funds from his account, meaning he'd incurred overdraft fees. He wanted esure to reimburse him for the sum they'd taken and compensate him for financial difficulty he'd been put in and the time and effort he'd had to make dealing with the issue.

When responding to our investigator's request for information about the case, esure offered to refund the two payments taken incorrectly, together with interest at a rate of 8% simple from the date the two payments were made to the date of refund. They also offered £200 in compensation to Mr H. However, Mr H didn't think this sufficient for the stress and inconvenience he'd suffered and the financial impact by being unable to pay bills, going into debt and having to borrow money from relatives. He thought £3,000 would be fair compensation for the disruption and distress he'd suffered.

Our investigator upheld the complaint, concluding esure hadn't acted fairly. They'd taken two payments from Mr H's account, which he said pushed him into an overdraft position and left him unable to pay other bills and had a substantial impact on his financial position and wellbeing. However, in the absence of bank statements from Mr H, the investigator couldn't confirm the extent of any overdraft or associated fees. esure had upheld Mr H's complaint and the investigator thought their offer to repay £251.88 plus interest from the date the payments were taken was fair. However, the investigator didn't think esure's offer of £200 compensation was fair, given it had taken a year for Mr H to have the payments refunded. The investigator thought £350 compensation would be fair and reasonable.

esure accepted the investigator's view. Mr H responded to provide further information about his financial position, including bank statements. Based on the further information, the investigator issued a second view in which she concluded esure should reimburse Mr H £20.91 in respect of overdraft charges she calculated Mr H had been charged.

esure accepted the investigator's second view, but Mr H disagreed. He said esure's taking of the payments had a lasting impact on his finances, particularly his being unable to meet a demand in respect of Council Tax. He provided further information on this point, but the investigator didn't accept it, as it indicated issues before esure took their payments.

Mr H disagreed with the investigator's further view and asked an ombudsman to consider the complaint. He didn't think the compensation offered was sufficient for the trouble and stress from what had happened.

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.

My role here is to decide whether esure have acted fairly towards Mr H.

The key issue in Mr H's complaint is esure taking two monthly payments in respect of the policy he asked them to cancel, totalling £251.88. Mr H says this pushed him into an overdraft position, causing him financial difficulties – he's specifically referred to a monthly Council Tax direct debit his bank declined shortly after the second payment taken by esure. In turn, Mr H says this led to the local council taking enforcement action against him, causing him further financial difficulty as well as distress and inconvenience.

esure accept they made a mistake in taking the two payments and then not arranging for them to be refunded. They've offered to refund the two payments, with interest from the date they took the payments to the date of the refund. They've also offered £200 compensation.

When considering the case, I've noted esure accept they made a mistake, so the issue becomes one of whether they've done enough to put things right for Mr H. I've also considered carefully what Mr H has said about the impact the two payments had on his financial position as well as the impact of the stress and inconvenience caused to him.

In looking at what happened, from bank statements and other information provided by Mr H, shortly after the two payments were made, there's a screenshot indicating a monthly Council Tax direct debit was declined by the bank concerned. Which would appear to have been the result of the two payments taken by esure putting Mr H over his agreed overdraft limit – although the bank statements show the balance was within the agreed overdraft position after the second payment was taken. I've noted the account for which Mr H provided bank statements was already in an overdraft position before the two payments taken by esure.

Mr H has also provided evidence of his local council taking enforcement action in respect of Council Tax arrears. However, the details indicate enforcement action was taken in July 2022 in respect of Council Tax owed for the period April 2022 to March 2023 - so before esure took the two payments. There's also a subsequent document dated August 2022 (between the dates of the two payments taken by esure) setting out a Council Tax repayment plan, with one payment in September 2022, followed by six monthly repayments from October 2022 and one payment in April 2023. The repayment plan totals £2,565 plus enforcement costs of £112 (a total of £2,677).

What this indicates is that Mr H was already in arrears at the point esure took the two payments, before the failed direct debit. While esure's two payments look to have led to the direct debit not being paid, that was for one monthly payment – not what appear to be arrears dating from before esure took the two payments.

So, I've concluded that while esure taking the two payments appears to have led to one monthly direct debit not being paid, they can't reasonably be held responsible for the total arrears for which enforcement action was taken by the local council.

esure have offered to refund the two payments (£251.88) plus interest at a rate of 8% simple from the date of the two payments being taken to the date they refund the payments. Considering the circumstances of the case, I've concluded that's fair and reasonable.

I've also noted Mr H's bank account was in credit by November 2022.

But as esure's two payments appear to have taken him over his agreed overdraft position, then he will have incurred fees and charges for a period. I've looked at the calculation made by our investigator, and I think £20.91 is a fair and reasonable estimate of the sum involved. In the circumstances, I've concluded it fair and reasonable esure pay this amount to Mr H.

I've then considered the issue of compensation, esure offered £200 compensation for the distress and inconvenience caused to Mr H from what had happened, in addition to refunding the two payments. However, given the length of time taken to reach that position, I think a higher award is appropriate. Taking account of all the circumstances, I think £350 would be fair and reasonable.

My final decision

For the reasons set out above, it's my final decision to uphold Mr H's complaint. I require esure Insurance Limited to:

- Refund Mr H the two payments taken (£251.88) plus interest at a rate of 8% simple from the date the payments were taken to the date they refund the payments to Mr H.
- Pay Mr H £20.91 in respect of overdraft fees and interest charges.
- Pay Mr H £350 compensation for distress and inconvenience.

This is on the assumption esure Insurance Limited have not already paid Mr H these sums. esure Insurance Limited must pay the compensation within 28 days of the date on which we tell it Mr H accepts my final decision. If they pay later than this they must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 29 December 2023.

Paul King
Ombudsman