

The complaint

Mr R complains about Somerset Bridge Insurance Services Limited's decision to cancel his car insurance policy.

What happened

The background to the complaint is well known to both parties, so I'll provide only a brief summary here.

Mr R had car insurance arranged and administered by Somerset Bridge, who are an insurance broker.

In May 2023, he called them to notify them that he'd changed address. Somerset Bridge seemed unable to give Mr R a link to the insurer's portal so that he could change address himself on-line.

So, they said he'd have to pay a £50 fee to change the address. They told him his premiums would also increase for the remainder of the policy term due to the change in address. In effect, he had to pay additional fees of around £180 in total.

After some discussion, it was agreed Mr R would pay that amount spread over payments in each of the next four months. Mr R agreed to call to make the payments when they were due. This arrangement was then confirmed by email.

In June 2023, Mr R failed to call to make the agreed payment. He tells us he'd been away and simply forgotten about the payment being due.

The payment was due on 15 June 2023. On 16 June, Somerset Bridge sent Mr R a letter by email asking him to contact them to make the payment and saying that if he didn't do so, they'd cancel the policy.

On 23 June, Somerset Bridge sent another letter by email, saying much the same thing – and specifying that the policy would be cancelled on 30 June if Mr R hadn't contacted them by then.

The policy was duly cancelled – on 30 June 2023 – and notification sent to Mr R by email and text.

Mr R contacted Somerset Bridge the same day to ask them to reverse the cancellation and accept a payment from him. He explained he'd been away and forgot about the payment. Somerset Bridge told him the cancellation couldn't be reversed.

Mr R complained to Somerset Bridge. He said the emails on 16 and 23 June had gone into his junk folder. And whilst he admitted he'd forgotten to make the payment he was unhappy at his policy being cancelled without sufficient warning.

Somerset Bridge didn't uphold Mr R's complaint, so he brought it to us. Our investigator looked into it and didn't think Somerset Bridge had done anything wrong.

Mr R disagreed and asked for a final decision from an ombudsman.

Because I disagreed with our investigator's view, I issued a provisional decision in this case. This allowed both Somerset Bridge and Mr R a chance to provide further information or evidence and/or to comment on my thinking before I make my final decision.

My provisional decision

In my provisional decision, I said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I'll say something first about our approach to questions around cancellation of car insurance policies.

We're very much aware that cancelling a policy can have a very significant impact on a customer. For one thing, it's illegal to drive without insurance and the penalties are severe. This can be a problem for customers who don't realise their policy has been cancelled.

For another, the customer will have to tell future insurers they've had a policy cancelled. And that means their premiums are likely to be higher. Insurers often ask whether a potential customer has ever had a policy cancelled, so there's no time limit on a customer having to disclose a previous policy cancellation.

For those reasons, we think it's good industry practice – and fair and reasonable to the customer – for businesses to use two means of communication when notifying a customer that their policy has been cancelled and also when warning them about the possibility of cancellation.

If businesses wish to use only one means of communication in these circumstances – for example, if they want to conduct business on-line only – we'd expect them to be very clear about that with their customers up front and to include it in the policy terms.

In Mr R's case, the actual notification of cancellation on 30 June 2023 was sent by two means of communication – email and text. And Mr R responded almost immediately.

Somerset Bridge tell us the letters of 16 and 23 June – warning Mr R that his policy would be cancelled unless he contacted them – were sent by email only.

Mr R says those emails went straight to his junk folder. That's a good illustration of why we think it's important to send this kind of communication by two different means.

The agreed monthly payments were for relatively small amounts – compared to the premium as a whole. It seems to me very likely that if Mr R had been aware of and read the warning letters, he would have paid the requested amount pretty much straight away.

And it seems to me very likely that Mr R would have been aware of – and read – the warning letters if he'd been sent those messages by text or by post and/or he'd been contacted by phone.

So, to summarise, I'm minded to uphold Mr R's complaint. Unless I receive further persuasive information or argument that changes my mind, I'm going to conclude that it was unfair and unreasonable for Somerset Bridge to cancel Mr R's policy having sent him warning of that cancellation by only one means of communication – email.

On that basis, I'm also minded to require Somerset Bridge to remove or amend any records (of their own or shared with others) which suggest Mr R's policy was cancelled by them for non-payment.

I'm minded to require Somerset Bridge to refund the £75 cancellation fee they charged Mr R. And I'm minded to require them to pay Mr R £500 in compensation for his trouble and upset. I'll explain why.

Mr R has experienced a degree of inconvenience as a result of the cancellation of his policy. He tells us it's been difficult to obtain new insurance – and more expensive than it would otherwise have been.

He's also had the worry and anxiety which would inevitably come from having car insurance cancelled – and the stress caused by the possibility that all future premiums might be significantly higher as a result.

Mr R did forget about the payments he'd undertaken to make, so he's not without some fault here.

But he's not received good customer service – or any degree of understanding – from Somerset Bridge. And I can understand his feeling that he was ignored and/or misunderstood when he tried to raise his concerns and/or ask for help.

So, I'm satisfied that £500 is fair and reasonable compensation for the trouble and upset Mr R has been caused by Somerset Bridge's errors in the communication around the cancellation of his policy.

Mr R's new insurer should be willing to review his annual premium with them if and when he informs them that the policy cancellation was an error on Somerset Bridge's part.

I'd expect Somerset Bridge to provide confirmation of that to the new insurer if that proves necessary and/or appropriate."

So, in summary, I concluded that - in the absence of any further compelling information, evidence or argument - I'd be upholding Mr R's complaint. And requiring Somerset Bridge to delete any record of the cancellation, re-pay Mr R's cancellation fee and pay him £500 in compensation for his trouble and upset.

The responses to my provisional decision

Somerset Bridge responded to my provisional decision to say they disagreed with it. They felt they'd complied with any requirements set out by the Financial Conduct Authority (FCA) in their dealings with Mr R. And they asked us to point to the regulations which require them to send messages about potential cancellation of policies via two separate means of communication.

They also felt Mr R should be accountable for the fact that he'd forgotten to make the payments as had been agreed.

Mr R also responded to my provisional decision. Whilst he agreed with the broad outcome, he felt the suggested compensation wasn't adequate. He said it didn't properly reflect the stress and inconvenience he'd experienced.

He also said he'd lost work opportunities due to his insurance being cancelled – and should be compensated for loss of earnings. He said he'd incurred costs in commuting to work, which should be reimbursed. He also remained concerned about the increased premium for his new policy. And he said he'd been caused financial hardship as a result of these factors.

Mr R also reminded us that he'd written to the Prime Minister and the Treasury about his complaint. And he provided copies of responses from them.

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.

Somerset Bridge will be aware – or certainly *should* be aware – that the FCA requires financial businesses to communicate clearly with their customers and to treat them fairly and reasonably.

It wouldn't be possible – or desirable – for the FCA to try to dictate the exact operational detail of how businesses should achieve those broad end goals in every conceivable circumstance.

It's our role to look at individual complaints and to decide whether the complainant has been treated fairly and reasonably by the respondent business.

And – for the reasons set out clearly in my provisional decision - we take the view that communications about cancellation and/or potential cancellation of motor insurance policies should usually be made by two separate means.

Somerset Bridge sent the cancellation notification by two means, so they clearly accept that a belt and braces approach is sometimes necessary in order to ensure fairness for the customer. As I also said in my provisional decision, as soon as they did send anything to Mr R by two means of communication, they got an immediate reply.

I also acknowledged in my provisional decision that Mr R should accept some responsibility for missing the payments he'd agreed to make. Mr R's failings in that respect though do not justify the cancellation of his policy – with all that entails – without sufficiently (in my view) warning him.

In short, I am not persuaded by Somerset Bridge's response to change the outcome set out in my provisional decision.

I understand Mr R's strength of feeling about the cancellation of his policy. However, he hasn't said anything new in response to my provisional decision to persuade me that the £500 I suggested in compensation for the stress and inconvenience he suffered isn't adequate. For the reasons I set out in my provisional decision, I think £500 compensation is fair and reasonable.

Mr R has also suggested that – over and above any compensation for trouble and upset - he's suffered financial losses as a direct result of the cancellation of his policy. To summarise, these relate to lost earnings, commuting costs and increased premiums for his new insurance policy.

As I said in my provisional decision, Mr R's current insurer should be willing to review his premiums in light of the fact that Somerset Bridge cancelled his previous policy in error. Mr R needs to raise that with his new insurer. And, as I also said in my provisional decision, I'd expect Somerset Bridge to confirm the situation to the new insurer if asked to do so.

It strikes me as slightly odd that Mr R says he couldn't work – and so lost earnings – because he couldn't use his car, but also asks for the costs of commuting to work to be reimbursed.

I'm sure Mr R could provide an explanation for that, but I don't think I need trouble him to do so. That's because although I think Somerset Bridge made an error in the way they cancelled the policy, I don't think I can reasonably conclude that that led directly and necessarily to Mr R being unable to use his car to get to work.

I say that because Mr R has now taken out car insurance with another insurer – whilst having to declare that his previous policy was cancelled. It's difficult to see how Mr R could do that more recently but was unable to do it after his policy was cancelled in mid-2023.

I appreciate that Mr R says he's experienced some financial difficulty since mid-2023. But according to his own response to my provisional decision, he has been working (he wants the commuting costs taken into account).

And it's difficult logically to see that paying out for a new insurance policy – specifically in order to be able to take paid work opportunities – would be impossible financially given that the very point of doing so would be to take up paid work (bearing in mind that policies can be paid for on a monthly basis).

So, on balance, whilst I can see that Mr R was placed in a difficult position by the cancellation of his policy, I can't reasonably conclude that the inevitable consequence was a loss of work opportunities or earnings. Nor can I reasonably conclude that Somerset Bridge should pick up Mr R's commuting costs if he chose not to insure and run his car between mid-2023 and late-2023.

In summary then, Mr R has given me no reason to doubt the conclusions I came to in my provisional decision.

Putting things right

Given that the responses to my provisional decision have given me no reason to change my mind about the outcome of this case, I'm now going to require Somerset Bridge to delete any record of the cancellation, repay the cancellation fee and pay Mr R £500 in compensation – as suggested in my provisional decision and for the reasons set out in my provisional decision.

My final decision

For the reasons set out above and in my provisional decision, I uphold Mr R's complaint.

Somerset Bridge Insurance Services Limited must:

- ensure that any record of the cancellation is removed from their own or any shared databases;
- refund the £75 cancellation fee they charged Mr R;

- pay Mr R £500 in compensation for his trouble and upset; and
- if necessary, provide confirmation that Mr R's policy was cancelled in error.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 2 February 2024.

Neil Marshall
Ombudsman