

The complaint

Mr L complains that U K Insurance Limited trading as Direct Line cancelled his motor insurance policy and have banned him from applying for any policy, with any U K Limited company, for six years.

What happened

The parties are aware of the facts of this complaint so I'm going to summarise them briefly.

On 20 April 2023 Mr L purchased a motor insurance policy online for his car from Direct Line. Mr L had included his father as a named driver on his policy.

On 24 April 2023 Direct Line wrote to Mr L advising him that they'd confirmed some of the information he'd provided when taking out his cover was false or incorrect, and had they known this they wouldn't have offered him cover.

Mr L was initially told his policy would be cancelled on 2 May 2023, but the cancellation date was later confirmed to be 12 May 2023. When Direct Line wrote to Mr L to notify him of the cancellation they gave him the option to cancel the policy himself by calling their customer service department.

Mr L raised a complaint about the cancellation of his policy and the ban on taking out any cover with U K Limited for six years.

Direct Line called Mr L on 8 June 2023 to discuss his complaint. There was a conversation about the various points of the complaint. Mr L was told that his policy had been cancelled due to misrepresentation as his father had made a claim in November 2022, which hadn't been declared. He was also told they were concerned he'd told them he'd used a 'broker', a friend of his father's, to complete his online application for cover.

Direct Line said that Mr L's father was aware of the claim as he'd spoken to their claims department on a number of occasions. And that had the correct information about his father's claim been provided, cover would have been offered at a higher premium, so they'd invoked their rights to cancel the policy, and this decision was maintained.

Following this conversation Direct Line wrote to Mr L the same day advising him that his complaint had been closed and giving him referral rights to our service.

Mr L complained to us about his policy being cancelled and the ban on applying for any policy for six years. He said a friend of his father's had helped him set up the policy. When he received his policy documents he realised that there were some mistakes and he contacted Direct Line to correct them but as they couldn't access his details and said to call back. He says he tried to call them a number of times, but on each occasion he called they couldn't access his details. He was then told that his policy had been cancelled and he says he's been left with a car he can't insure.

Our investigator contacted Direct Line and requested details of the additional premium they'd

have charged if Mr L had declared his father's claim. They provided details confirming there would have been an additional premium of £1,090.35. But they said that due to misrepresentation they'd invoked their rights to cancel the policy.

Our investigator considered the case and said that Direct Line had said Mr L had made a qualifying misrepresentation when taking out his policy. She said that the consumer Insurance (Disclosure and Representations) Act 2021 (CIDRA) says a consumer needs to take reasonable care not to make a misrepresentation when taking out an insurance policy.

She looked at the questions Mr L was asked when taking out his policy and said he's given the purchase date for his car as April 2022, and he'd answered 'none' to the question about any accidents, claims or losses regardless of fault in the last five years. But these answers were incorrect as he'd bought the car in November 2022, and his named driver had made a claim on a policy he had with Direct Line in November 2022, which was within the last five years.

Based on the answers he'd given our investigator said she didn't think Mr L had taken reasonable care not to make a misrepresentation. And she was satisfied that this was a qualifying misrepresentation. Direct Line had treated this as careless and had refunded Mr L's initial monthly payment of £466. Under CIDRA our investigator said that where there'd been a qualifying careless misrepresentation the insurer may avoid the policy, but must return the premiums, which is what Direct Line had done.

She went on to say that Direct Line hadn't provided underwriting evidence to confirm they'd have avoided the policy if the correct information had been provided, rather than asking Mr L to pay the additional premium. So she said technically they shouldn't have cancelled the policy. But they'd given Mr L the option to cancel the policy himself, which wasn't done, so they proceeded to cancel the policy. She said this was in line with CIDRA so she wasn't asking them to do anything further.

Mr L responded to our investigator's view saying that he didn't accept that he hadn't taken reasonable care in answering the questions Direct Line had asked when he took out the policy. He said that he'd wanted to make some amendments to his cover, but when he'd contacted Direct Line he wasn't able to speak to the correct department.

In respect of the claim his father had made he said that the definition of a claim was open to interpretation, and he'd made an honest mistake rather than been careless in the information he'd provided. In respect of the additional premium Direct Line said they'd have charged he said the figure of £1,090.35 was speculative and open to interpretation and it wasn't possible to determine the actual premium increase.

Mr L has told us he believes that he made a genuine mistake with the information he provided to Direct Line, rather than being careless, and he believes the matter needs to be reconsidered as a fair resolution of his complaint with Direct Line hadn't been reached. He also considers the six-year ban imposed by Direct Line to be disproportionately severe.

Since our investigator provided her opinion we've asked Direct Line to provide underwriting criteria to support the six-year ban they imposed and to provide a copy of the policy booklet containing the full policy terms and conditions. These have been provided.

We've also asked Direct Line for an explanation of why having initially said they'd offer Mr L cover at an increased premium, they then proceeded to cancel his policy.

They've told us that they spoke to Mr L about the case, explaining to him that they had multiple concerns about his alleged use of a 'broker' to set up his policy and the

misrepresentation about his father having no claims. They've said that once the use of a ghost broker was confirmed they wouldn't offer cover at an increased premium.

The case has come to me for a 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 issue in this case is whether Direct Line acted reasonably in cancelling Mr L's policy and imposing a six-year ban on him applying for any policy with the U K Insurance Group.

CIDRA requires insurers to ask consumers clear questions when applying for insurance cover. And consumers are required to take reasonable care not to make a misrepresentation to the insurer, section 2(2).

Mr L has said that the questions he was asked when applying for his cover are open to interpretation. I don't agree. He was asked a clear question about whether he, or anyone to be covered under the policy, had made a claim in the last five years. While I accept that there can be a variety of claims, this is a straightforward question. Mr L answered 'no' to this question, when he should have answered 'yes', as his father, who was a named driver, had made a claim on his own policy in November 2022.

While Mr L has said he simply made an honest mistake I'm satisfied he made a qualifying misrepresentation and that this was careless. Mr L has told us he asked his father if he had any ongoing claim. But this wasn't the question he was asked by Direct Line. And Mr L has of course confirmed to Direct Line that he didn't complete the application for cover himself.

Direct Line have told us that had Mr L provided the correct information they'd wouldn't have entered into the contract and they've returned the first instalment of the premium that he'd paid. This is what CIDRA requires an insurer to do where they wouldn't have provided cover.

But Direct Line initially said that they'd have offered cover at an additional premium of £1,090.35. Our investigator asked Mr L if he'd have paid the additional premium. He replied saying that he'd have looked to see if he could afford it, and if he couldn't he'd have cancelled the policy and tried to get a quote from another insurer.

Rather than offering Mr L insurance at a higher premium Direct Line have told us that they invoked their right under the terms and conditions to cancel the policy.

Looking at the terms and conditions set out in the policy booklet these say *'We can cancel the policy at any time if we have a valid reason. If we have to do this, we'll give you at least 7 days' notice. We'll send our cancellation notice to the latest address we have for you.'*

Mr L has said that he didn't receive the cancellation notice, but I'm satisfied that this was sent to the address Direct Line had on record for him, which is what they were required to do. And he was certainly aware of the cancellation before the date it became effective.

Direct Line have told us that in addition to providing incorrect information about his father's claims history, Mr L confirmed to them that he'd used a broker, a friend of his father's, to complete the application for cover on his behalf. Because of this they say they wouldn't provide him with cover even at an increased premium.

Direct Line had a number of concerns about providing Mr L with cover. He was advised

promptly that they intended to cancel his policy. While Mr L has said he wouldn't have been aware of the cancellation unless he'd called them, I'm satisfied that Direct Line sent him appropriate notification of their intention to cancel his policy. And I'm persuaded that they acted reasonably and cancelled his policy in line with the policy terms and conditions.

Mr L has told us that he considers the six-year ban Direct Line imposed is disproportionate. Direct Line have provided evidence confirming that in the event of a policy being cancelled for misrepresentation, their underwriters won't provide cover for that consumer for six years. It's for a business to decide who they're prepared to offer insurance to, so I can't say Direct Line have done anything wrong here.

While I understand that this isn't the outcome Mr L is hoping for I don't think Direct Line did anything wrong in cancelling his policy or imposing a ban on him applying for cover with any company in the U K Limited Group, so I'm not asking them to do anything.

My final decision

For the reasons set out above my final decision is that I don't uphold Mr L's complaint about U K Insurance Limited trading as Direct Line.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 24 April 2024.

Patricia O'Leary
Ombudsman