

The complaint

Mr H has complained about his taxi insurer Sabre Insurance Company Limited because part way through the policy year it said it would have to cancel his cover.

What happened

Mr H had a policy with Sabre which was due to expire on 10 December 2023. In September Sabre became aware that Mr H held a taxi licence and plate from a certain licensing authority ("LA1"). It noted Mr H had not told it about this – he'd said he had a licence issued by, and that he operated in, "LA2". It said it doesn't offer cover for any taxi driver with a licence from LA1, so it would cancel Mr H's cover on 4 October 2023 unless he surrendered that licence. Mr H agreed to do so – but couldn't get confirmation from LA1 that he'd done this. He asked Sabre to continue his cover until renewal, but it wouldn't agree to that. On 3 October 2023 Mr H cancelled the policy with Sabre and found cover elsewhere.

Subsequently Mr H complained to the Financial Ombudsman Service. He said Sabre had caused him to lose out on a further year's no claims bonus. He felt Sabre had acted unfairly.

Our Investigator obtained proof from Sabre regarding what risks it is prepared to cover – persons with licences from LA1 not being one of them. He felt Sabre had been fair and reasonable by issuing the cancellation notice. Mr H did not agree, so his complaint was referred to me for an Ombudsman's decision.

I felt the complaint should be upheld with Sabre paying compensation for non-financial loss, as well as for a likely financial loss. I said if there'd been a cancellation fee charged to Mr H, that should be refunded, plus interest. Regarding the likely financial loss, I felt that would be about £500 due to Mr H having 'lost' one-year's no claims bonus.

Sabre did not reply to my findings. Mr H said he had been charged a cancellation fee. Also that his new policy had cost him £2,000 which would have been "much less" if he'd had another year's no claims bonus to apply.

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 said provisionally:

"I note Sabre has not shown that Mr H held the licence with LA1 at renewal of the policy in 2022. It's said it doesn't have historic data about Mr H's licence, only that his current licence was obtained in July 2023, with the vehicle plate following in September 2023. So this complaint is one about what Sabre can fairly and reasonably do part way through the policy year (as opposed to what it can do when cover is arranged or renewed).

The policy does require Mr H to tell it of any changes. And advises the policy might be cancelled if a change in circumstances means it can no longer provide cover. It is also fair to

say that an insurer is free to make decisions about what risks it will and will not accept. However, this service expects insurers to act fairly and reasonably during the policy year when considering whether to continue cover.

In this particular case, with Mr H's policy – which had not been subject of any claims in the policy year – so close to renewing, I think Sabre's decision created an unfair and reasonable outcome. I say that also in light of the fact that Mr H had shown Sabre he was trying to surrender the licence but was having to wait for LA1 to action his request. I'm also aware that Sabre, having tried to make its own enquiries with LA1, found it couldn't establish contact with it. Which satisfies me that Mr H was doing what he could and how or when LA1 would respond to him was outside of his control. I think it's relevant that Mr H did still have the benefit of his other licence. And also that I don't think he could reasonably have expected that taking a licence via another area would have caused his insurer such concern, but once he was made aware of that concern he acted to rectify the situation.

All things considered, I think Sabre could have waited a little while longer for the surrender to be finalised. Mr H had asked it to let his cover continue to renewal and I think that was a reasonable request in the circumstances. Because it would not do that Mr H mitigated the situation by cancelling the policy himself. Which means he doesn't have to declare to other insurers that he had a policy cancelled by an insurer. And he also took out alternative cover. So there was no gap in cover and he was able to work. But as Mr H has noted, he has effectively 'lost' 10 months of his no claims bonus.

When Mr H's policy renewed in December 2022 he held three years no claims bonus. When he cancelled in October 2023 Sabre confirmed he still had three years in place. But, if Sabre had not acted unfairly with a view to cancelling the policy in October 2023, Mr S's policy would have run until December 2023, at which point he'd have had four years no claims bonus. There's no real way to gain those 10 months back. All I can do is award compensation to make up for the likely impact on the cost to Mr H for cover. I think that could likely be a few hundred pounds over the next few years. So, unless the parties can show me this should reasonably be more or less, I'll award £500.

As I said, Mr H had to act in October 2023 to cancel the cover with Sabre and to find alternative insurance. I don't doubt that caused him inconvenience. For the distress and inconvenience, I think this caused Mr H, I'm minded to award compensation of £150.

I'm not sure if Mr H was expected to pay to cancel the Sabre policy. If he was charged for cancelling, Sabre should reimburse that sum, plus interest."*

I appreciate that Mr H would have paid less if he'd had another year's no claims bonus to apply. But he hasn't shown me how much less. Having reviewed this, I'm satisfied the award I made provisionally of £500 is fair and reasonable.

I also note that Mr H has confirmed a cancellation fee was charged by Sabre. But I haven't seen how much that was or when.

I'm satisfied by my provisional findings initially issued. They, along with my comments here, are now the findings of this my final decision.

Putting things right

I require Sabre to pay Mr H:

- £500 compensation for loss of ten months no claims bonus.
- £150 compensation for distress and inconvenience.

Further, any charge to Mr H for cancelling the cover should be reimbursed, plus interest* applied from the date Mr H paid any charge until settlement is made.

*Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. HM Revenue & Customs may require Sabre to take off tax from this interest. If asked, it must give Mr H a certificate showing how much tax it's taken off.

My final decision

I uphold this complaint. I require Sabre Insurance Company Limited to provide the redress set out above at "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 26 February 2024.

Fiona Robinson
Ombudsman