

## **The complaint**

Mr B complains Hedgehog Limited (Hedgehog) unfairly cancelled his motor insurance policy.

There are several parties and representatives of Hedgehog involved throughout the complaint but for the purposes of this complaint I'm only going to refer to Hedgehog.

## **What happened**

Mr B purchased a motor insurance policy with Hedgehog.

Mr B paid Hedgehog's finance partner for his policy premiums as they provided the option to pay on a monthly basis. After its finance provider was unable to collect Mr B's monthly payment, Hedgehog sent him a seven-day cancellation notice.

Mr B made payment the day before the date Hedgehog said it would cancel his policy. However it still cancelled his policy.

Because Mr B was not happy with Hedgehog, he brought the complaint to our service.

Our investigator upheld the complaint. They looked into the case and said Hedgehog had the opportunity to stop the cancellation of Mr B's policy but didn't do so. They felt given it had the knowledge of the significant impact policy cancellations have on policy holders, they didn't think Hedgehog acted proactively to protect Mr B's best interests. They said it should remove the cancellation marker from the motor insurance database and provide Mr B with a letter confirming no cancellation marker should have been applied, refund any cancellation fee, and pay him £150 for the stress and inconvenience caused as a result of its actions.

As Hedgehog is unhappy with our investigator's view the complaint has been brought to me for a final decision to be made.

## **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 looked at the cancellation notice that Hedgehog sent to Mr B on 13 September 2023. It said it was cancelling his insurance policy *in seven-days time from the effective date and time* because there was no active payment method in place to pay for the insurance. The cancellation effective date and time was given as 20 September 2023 at 23.59. The notice also said he had until 18 September 2023 to get in touch to resolve the outstanding payment issue to stop the policy from being cancelled on 20 September 2023.

I saw Mr B contacted Hedgehog's finance provider and they agreed he could make payment on 19 September 2023.

Mr B made the required payment as agreed on 19 September 2023. He then made contact with Hedgehog at 08.58am on the same date to inform it he had made the required payment to its finance provider.

Hedgehog confirmed it was able to see that the payment had been made but it said the cancellation would still stand and the policy would cancel the next day on 20 September 2023. It said its own deadlines overruled any deadline set by its finance provider and that was clear in its cancellation notice. I saw it said it had overruled the finance provider's deadline as they only handle payments, but it handles his insurance.

When Mr B took out a finance agreement to pay for his policy premiums with Hedgehog's approved finance provider at the start of his policy term, this meant he entered into a finance agreement with the finance provider. In doing so, the finance provider ultimately paid the policy underwriter the full annual premium on behalf of Mr B.

Mr B was repaying the finance provider for his policy premium plus the cost of credit over 12 months. The monthly payments due are payments to repay the finance.

I saw Hedgehog said Mr B had plenty of time to engage with it after his finance payment was missed in late August 2023. It said by leaving it until day six of the cancellation notice it was too late to stop the cancellation. However Mr B did contact the finance provider and it assured him as long as he made the required payment on or before 20 September 2023 his policy would be ok.

Mr B settled his arrears with the finance provider and paid a late payment fee. He did not breach the terms of his policy. There was no detrimental impact on Hedgehog as the outstanding payment was not owed to itself and Mr B did make payment to the finance provider as agreed.

Although Hedgehog did what it said it would do in its notification of cancellation, I don't think issuing a seven-day notification of cancellation but giving only five days to resolve the issue is reasonable. This is in effect is a five-day cancellation notice.

By going ahead with the policy cancellation knowing he had settled the finance arrears and that the finance provider was happy with this, Hedgehog did not act in Mr B's best interests.

Cancellation should generally be a last resort and in this case I would expect it to have stopped the cancellation going ahead. Cancelling the policy could have a significant impact on Mr B as he will have to tell future insurers he has had a policy cancelled if asked.

After Hedgehog cancelled Mr B's policy he had to spend time organising a new policy and during this period of time was unable to get to work in his car causing avoidable inconvenience and stress. I think Hedgehog should pay him compensation for this.

Although Hedgehog have confirmed that it has not recorded the cancellation on any insurance databases Mr B will still need to declare this if asked in the future. Mr B declared the policy cancellation to his new insurer. I looked at the terms of his new policy and as it is not a like for like product I am unable to consider if the premiums are more expensive.

Based on the evidence I have seen I uphold Mr B's complaint. I require Hedgehog to provide Mr B with a letter confirming the policy shouldn't have been cancelled, refund any cancellation fees and pay compensation of £150 for the stress and inconvenience caused as a result of its actions.

## **My final decision**

For the reasons I have given I uphold this complaint.

I require Hedgehog Limited to:

- Provide Mr B with a letter confirming the policy shouldn't have been cancelled, so he can provide this to any insurers he wishes to approach in the future.
- Refund any cancellation fees charged.
- Pay Mr B £150 compensation for the stress and inconvenience caused as a result of its actions.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 16 April 2024.

Sally-Ann Harding  
**Ombudsman**