

The complaint

Ms N is unhappy that Aviva Insurance Limited cancelled her insurance policy.

What happened

Ms N held a motor insurance policy with Aviva, for which she paid monthly.

In late April 2023, Ms N missed her final repayment. Aviva emailed and wrote to Ms N to say that the payment was missed and they'd try to take it again the next day. Aviva warned that if this didn't go through, the payment would be due by 20 May or they'd cancel her policy.

Ms N told Aviva that she couldn't pay until 16 May. Aviva said they'd try to take the payment again in a few days. The payment wasn't received so Aviva cancelled the policy.

Ms N was upset at this, so she complained. She said she'd been checking her bank account to see if Aviva had taken the payment as she thought they were going to do.

Aviva looked into things and rejected Ms N's complaint. They said they'd tried to take the payment and had told her she needed to make it before 20 May, and what would happen if she didn't. They acknowledged that Ms N had told them about difficulties in her personal life and that she hadn't read Aviva's emails correctly, but they said they'd cancelled her policy correctly.

Unhappy with this, Ms N referred her complaint to the Financial Ombudsman.

Having reviewed the complaint, I issued a provisional decision to both parties. In it I said:

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

Based on what I've seen so far, I intend to uphold Ms N's complaint. I'll explain why.

Ms N's policy set out Aviva's rights when it comes to cancelling for non-payment. It said:

"We may cancel this policy or optional cover where there is a valid reason, for example where:

You have not paid your premium (including non-payment of instalments under a General Accident monthly credit facility). If premiums or instalment payment(s) are not paid when due we will write to you requesting payment by a specific date. We will give you at least 14 days' notice in writing if we intend to cancel due to non-payment (including under a General Accident monthly credit facility). If we receive payment by the date set out in the letter we will take no further action. If we do not receive payment by this date we will cancel

the policy and/or any additional cover options from the cancellation date shown in the letter.”

So, I’ve considered whether Aviva acted in line with the above term and whether they acted fairly in doing so.

Aviva first wrote to Ms N on 3 May 2023 regarding the missed payment on 30 April. I’ve seen a copy of this. It explained that Aviva would attempt to take the payment again on 4 May and if this was unsuccessful, the full amount would be due by 20 May, otherwise they’d have to cancel the policy. So, Aviva provided at least 14 days and I think they communicated the consequences clearly with Ms N.

But, when Ms N got in touch with Aviva on 8 May to say she couldn’t make the payment until 16 May, Aviva responded the same day, as follows:

“Upon reviewing your query, I wish to inform you that the instalment of £53.42 which was due on the 02/05/2023 has been missed, the system has therefore rescheduled the payment for the 10/05/2023. We’re unfortunately unable to stop this payment from being debited. Should this payment fail, we’d try and collect again within 5 working days of the payment failure.”

Aviva has confirmed that this advice was wrong, and, as I understand it, no attempts were made to take the payment beyond the first two attempts on 3 and 4 May.

When the policy was cancelled on 20 May, Ms N wrote to Aviva to say:

“... I have been checking my bank account to confirm you lot had taken the funds out and can’t find evidence of this then you cancel leaving me vulnerable ... The funds are there!!”

I recognise that Aviva did warn Ms N in their cancellation notice that she needed to pay before 20 May. But I think Ms N was entitled to rely on the information she was given in the above message as it was in response to her sharing her specific circumstances. This information also conflicted with the cancellation notice as it said that further attempts would be made to take the payment.

I’ve also kept in mind that Ms N specifically told Aviva that she’d be able to make the payment on 16 May, which was before it was due. I think Aviva had an opportunity to remind Ms N that she could make the payment manually on 16 May, and I think it’s likely she would have done so and her policy wouldn’t have been cancelled. Instead, I think the information Aviva gave would have been confusing. I think Ms N was entitled to believe that a further attempt would be made within five working days of 10 May.

Ms N has provided her bank statements to show the funds were available from 15 May – three working days after 10 May. Given Ms N had the funds available as she said, had been advised that further attempts would be made, and given her response immediately after the fact that she was waiting for the payment to be taken, I think it’s clear that she relied on the advice Aviva gave. And I don’t think that was unreasonable.

Aviva say they wrote to Ms N on 11 May to tell her that the payment had failed. They say this should have overridden the above advice. Aviva’s email said:

"We refer to the Default Notice issued to you on 03/05/2023, where we stated we would make an attempt to collect the missed Direct Debit for £53.42 again on 04/05/2023.

Regrettably, the attempt was unsuccessful and this still leaves the payment of £53.42 outstanding and unless the outstanding amount is paid by 20/05/2023 your above-mentioned policy cover will be cancelled with effect from 20/05/2023 23:59."

This email refers to the payment attempt on 4 May, a week earlier, which Ms N would've already been aware hadn't gone through as she'd emailed Aviva on 8 May and received the previously quoted advice. So, I don't agree that this was enough to override the advice of Aviva's agent. Therefore, in these particular circumstances, I don't think Aviva cancelled Ms N's policy fairly.

I've thought about the fairest way for Aviva to restore Ms N's position. First, Ms N would've had an extra year of no-claims discount, so Aviva should reissue an updated no-claims certificate with that year intact. Second, Aviva should remove all record of the cancellation from internal and external databases. Third, Aviva should provide a letter to Ms N confirming her policy was cancelled in error. Ms N has told us she hasn't taken out another policy, so I haven't considered other losses.

Finally, reviewing the correspondence between Ms N and Aviva, and with our service, I'm satisfied that the cancellation has caused Ms N inconvenience. And given what she's said about her difficult personal circumstances at the time, I think it was distressing for her. So, I think it's fair that Aviva pays Ms N £150 to recognise this.

I set out what I intended to tell Aviva to do to put things right and asked both parties to send me any further evidence or arguments they wanted me to consider.

Ms N accepted my provisional decision. Aviva didn't provide any additional comments.

In light of this, I think it's appropriate to issue my final 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.

As neither Ms N nor Aviva objected to my provisional decision I find no reason to change it.

Putting things right

To resolve this complaint, I require Aviva to:

- Provide Ms N with a new no-claims discount certificate showing the year as intact,
- Remove all record of the cancellation from internal and external databases,
- Provide a letter to Ms N to confirm that the policy was cancelled in error, and
- Pay Ms N £150 for distress and inconvenience.

My final decision

For the reasons I've explained, I uphold Ms N's complaint and direct Aviva Insurance Limited to put things right by doing as I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms N to accept or reject my decision before 19 April 2024.

Chris Woolaway
Ombudsman