

The complaint

Mrs A complains U K Insurance Limited trading as Privilege Motor Insurance (“UKI”) unfairly cancelled her motor insurance policy and didn’t provide her with adequate notice it was doing so.

What happened

Ms A took out a policy with UKI in July 2023. She explained she used a price comparison site but didn’t realise it had saved her old email address and phone number in the profile. This information was sent to UKI when the policy was set up.

UKI, undertook a policy validation exercise, and that raised concerns about how Mrs A’s policy had been set up and the information that had been provided. It discovered the overnight parking and purchase date of the car were incorrect. UKI had concerns that Mrs A had used an unregulated broker to set the policy up and, because of all of the discrepancies, it cancelled the policy.

Mrs A complained as UKI sent notice of cancellation of the policy to an email address and phone number she wasn’t able to access. She said she tried to change these details and she didn’t receive the letter of cancellation in the post until after the policy had cancelled. Mrs A said she wanted UKI to remove details of the cancellation of the policy from its records as it was impacting the price of insurance she could obtain elsewhere.

UKI looked into the complaint but said its cancellation of the policy was correct. It said while it could see Mrs A had contacted it via a chat service, she hadn’t got through to an agent to change her email address. Although Mrs A later said she had managed to change her email address, it has no evidence on its portal that this was done. UKI also said it acted correctly in sending the notice of cancellation to the details it had and it couldn’t be held responsible for delays in the post. Mrs A disagreed and brought the complaint to this service.

Our investigator thought the complaint should be upheld. He said he didn’t think UKI acted reasonably in cancelling the policy and it should have given Mrs A the option to do so first. He recommended UKI change its records accordingly. UKI disagreed and asked for the complaint to be reviewed by an ombudsman.

The case has been passed to me to decide.

My provisional findings

I issued my provisional findings on 8 March 2024. I said I did not intend to uphold the complaint for the following reasons:

“UKI cancelled the policy as it had concerns Mrs A had used an unregulated broker and that incorrect information had been provided to set up the policy.

Mrs A has said she set the policy up using a comparison site. She also said she can’t explain why a different overnight parking address was detailed on the policy application and

she made a mistake when she input the purchase date of the car.

The information is conflicting about whether it's more likely than not an unregulated broker set the policy up. However, where incorrect information has been provided in an insurance application, the law allows insurers to put things right in different ways.

The relevant law in this case is The Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA). This requires consumers to take reasonable care not to make a misrepresentation when taking out a consumer insurance contract (a policy). The standard of care is that of a reasonable consumer.

And if a consumer fails to do this, the insurer has certain remedies provided the misrepresentation is - what CIDRA describes as - a qualifying misrepresentation. For it to be a qualifying misrepresentation the insurer has to show it would have offered the policy on different terms or not at all if the consumer hadn't made the misrepresentation.

CIDRA sets out a number of considerations for deciding whether the consumer failed to take reasonable care. And the remedy available to the insurer under CIDRA depends on whether the qualifying misrepresentation was deliberate or reckless, or careless.

UKI thinks Mrs A failed to take reasonable care not to make a misrepresentation when she provided details of the overnight parking address for the car. And, when she input the date she purchased it

I've looked at the questions Mrs A was asked and the answers that were provided. I'm satisfied Mrs A did not take reasonable care not to make a misrepresentation.

UKI has provided evidence from its underwriters to show that had the overnight parking address been listed as Mrs A's home, then it would not have offered a policy to Mrs A. This means I'm satisfied Mrs A's misrepresentation was a qualifying one.

Where an insurer wouldn't have offered a policy had the correct information been known, the correct remedy under CIDRA would be for the insurer to avoid the policy – which means it could act as if no insurance policy was in place at all. Whether it returned premiums to the policyholder would depend on whether the insurer believed the misrepresentation was careless or, deliberate or reckless.

Here UKI cancelled Mrs A's policy rather than avoiding it, so it has offered cover for anything that may have happened up to the policy cancellation date. So, while it wasn't the action it could have taken under CIDRA, I think this is reasonable in the circumstances.

UKI notified Mrs A of the cancellation of the policy using all of the contact details it had and I think it gave a reasonable amount of notice that it was to do so. I have not seen anything to suggest that Mrs A was able to successfully update her email address in the meantime and I don't think UKI can be held responsible for any delays in the postal service.

I realise Mrs A would have been shocked to find out the insurance policy had already been cancelled by the time she received the letter. But I understand there were no implications from this. As I have found that UKI acted reasonably in cancelling the policy and gave reasonable notice, I don't think any compensation is due here.

Responses to my provisional findings

UKI did not provide any response for me to consider.

Mrs A reiterated she wanted UKI to remove all trace of the cancellation from its records. And she received the letter after the date the policy had cancelled.

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.

Having done so, I'm not minded to change the outcome I reached in my provisional findings. While I appreciate the letter arrived after the policy had cancelled, this isn't a reason for me to determine the record should be changed.

For the same reasons as I set out in my provisional findings, I think UKI acted fairly in cancelling Mrs A's policy, and it did what it could to let Mrs A know of that fact. I don't think UKI can be held responsible for delays in the postal service.

My final decision

My final decision is that I do not uphold Mrs A's complaint against U K Insurance Limited trading as Privilege Motor Insurance.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 22 April 2024.

Alison Gore
Ombudsman