

## **The complaint**

Mr and Mrs C complain about how U K Insurance Limited dealt with a refund in relation to their motor insurance policy. Reference to UKI includes its agents.

## **What happened**

The details of this complaint are well known to both parties, so I won't repeat them again here in full. In summary, in August 2022, Mrs C renewed her motor insurance policy underwritten by UKI. Mr C is a named driver on the policy.

I understand that Mrs C wanted to change her vehicle and when she enquired about making a mid-term adjustment to her policy, UKI declined cover for the new vehicle. So, on 15 June 2023, Mrs C called UKI in order to cancel her policy from 16 June 2023. UKI said that there would be a premium refund of £164.52 and that it would be credited to the card last used in relation to the policy, which was Mr C's credit card account. Mrs C called UKI again less than an hour later and told it that the credit card details it had on file were no longer valid. UKI said that if the payment bounces back, it will issue a cheque instead. I'll refer to those phone calls in more detail below.

On 8 July 2023, Mrs C contacted UKI again, as she hadn't received the refund by cheque. UKI asked its payment processor to provide the unique number assigned to the refund, the acquirer reference number (ARN), so that Mr C could trace the payment with his previous credit card provider. Mr C says that he gave the ARN to his previous credit card provider but it couldn't trace the refund.

Mr and Mrs C say that they made it clear that the credit card details UKI had on file were no longer valid and asked it to send the refund by cheque instead. They say that they haven't received the refund and that they've checked with Mr C's previous credit card provider which has confirmed that it can't trace the payment. Mr and Mrs C say that they've made several calls to UKI about this without resolving the matter and that UKI hasn't returned calls when it promised to do so. They want UKI to issue the refund and apologise.

Essentially, UKI says that the refund hasn't been returned, so it's not in a position to issue the refund by cheque. In response to a request for further information from this service, it has provided a clearings transaction statement from its payment processor which it says shows that the refund was sent to Mr C's previous credit card provider.

One of our investigators looked at what had happened. She said that she was satisfied that the payment was returned to UKI, so she recommended that it send a cheque to Mr and Mrs C for the premium refund of £164.52. The investigator said that Mr and Mrs C had also suffered poor service in that they'd spent time chasing the matter with UKI and it didn't return calls and e-mails, as promised. She recommended that UKI pay Mr and Mrs C compensation of £100 in relation to their distress and inconvenience.

Mr and Mrs C agreed with the investigator and asked that UKI make the refund cheque payable to Mr C. UKI didn't agree with the investigator. It said that our investigator had

accepted the letter from Mr C's previous credit card provider but disregarded evidence from its payment processor. UKI said that Mr and Mrs C hadn't done enough to demonstrate what Mr C's credit card provider had said after it had provided evidence that it had sent the payment. It said that it had demonstrated that it sent the payment and that it hadn't been returned.

UKI asked that an ombudsman consider the matter, so it was passed to me to decide.

UKI subsequently asked for more time to respond, as it was waiting for further information from its payment processor. UKI said, in summary:

- Its payment processor has confirmed that the refund payment hasn't been returned.
- This service needs to provide further information from Mr C's previous credit card provider.
- Mrs C confirmed that the refund could be sent to the account UKI had on file.
- This service has the power to open a separate case with Mr C's credit card provider.
- When a payment is returned it goes directly into UKI's account. The investigator is assuming what she believed happened whereas the investigation should be based on facts, not probability.
- The investigator rejected evidence it presented whereas Mr and Mrs C provided no evidence.
- Once a refund is processed, it's impossible to stop.
- UKI don't accept that Mr C's previous credit card provider hasn't received the refund.

### **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 uphold Mr and Mrs C's complaint and I'll explain why:

- Where there's a dispute about what happened – as there is here – I base my decision on the balance of probabilities, in other words, on what I consider is most likely to have happened in light of the available evidence and the wider circumstances.
- I've listened to recordings of relevant phone calls between Mr and Mrs C and UKI. In the first phone call on 15 June 2023, when Mrs C cancelled her policy, UKI said that it would send the refund to the card last used in relation to the policy. That was Mr C's credit card. Mrs C confirmed that was fine.
- Based on what I've seen, I'm satisfied that UKI sent the refund to Mr C's old credit card account. It sent Mrs C an e-mail confirming that it had done so. I don't think that UKI was initially at fault, as it arranged to send the refund to the account it had on file and Mrs C had confirmed that was in order.
- A short time later, Mrs C rang UKI again and told it that the credit card mentioned in the earlier phone call was no longer valid. UKI said that *if* the refund bounces back, it will send a refund by cheque. UKI has told this service that once it processes the payment, it can't stop it. But I think it would have been reasonable for it to take some action at this stage, for example by asking its payment

processor to provide an ARN once it had completed the refund, so that Mr and Mrs C could make immediate enquiries of Mr C's previous credit card provider.

- Mr and Mrs C say that Mr C gave his previous credit card provider the ARN UKI gave to them. They say that his previous credit card provider said that it couldn't trace the payment. I think Mr and Mrs C have been consistent in trying to resolve the matter and have done what they can to trace the payment. So, I accept what they say about this.
- In addition, Mr and Mrs C have subsequently provided a letter dated 25 September 2023, from Mr C's previous credit card provider, which confirms that his credit card account was closed with a nil balance, was inactive from 31 October 2022, is now going through the closure process and that refunds will be returned to the merchant.
- UKI says that this service should provide more evidence from Mr C's credit card provider. I don't agree. I'm satisfied, on balance, that Mr and Mrs C gave the ARN to Mr C's previous credit card provider and have done enough to try to trace the refund.
- UKI says that this service has the power to open a separate case against Mr C's credit card provider. That's not the case. This service settles complaints between consumers and businesses. Mr C doesn't have a complaint against his previous credit card provider.
- I haven't seen any evidence that the payment has been returned to UKI, but I don't think I need to determine where the refund is now for the fair resolution of this complaint. That's because, on balance, I'm satisfied that Mr and Mrs C didn't receive the refund UKI sent to Mr C's closed credit card account. I don't think that Mr and Mrs C are obliged to do any more to trace the payment with Mr C's previous credit card provider.
- I think a fair outcome here requires UKI to issue a refund by cheque. Mrs C has previously asked that UKI send the refund to Mr C but that may not be possible as she is the policyholder. UKI should also pay interest on the refund, from the date Mrs C cancelled her policy, to the date of payment.
- I think that UKI provided Mr and Mrs C with poor service in that it didn't ask its payment processor for an ARN straightaway, so that Mr and Mrs C could attempt to trace the payment sooner rather than later. And in one of the calls, UKI told Mr and Mrs C that it is obliged to send the refund to the card it has on file, even if the account is closed. I don't think that's the case and in a subsequent call UKI told them that they can send a cheque.
- Mr and Mrs C were put to the trouble of pursuing this matter over a protracted period which caused them some inconvenience. I think that fair compensation for that is £100.
- Mr and Mrs C also asked for an apology from UKI. I don't ordinarily direct a business to offer an apology because I don't think that a forced apology has much meaning. I think that the steps I've set out above are fair and reasonable in this case.

## **Putting things right**

In order to put things right, I now direct UKI to:

- Provide a premium refund of £164.52 by cheque.
- Pay interest on the amount mentioned above at the simple rate of 8% per year, from 16 June 2023 (the date of cancellation), to the date of payment.\*
- Pay compensation of £100 in relation to Mr and Mrs C's distress and inconvenience.

\*HM Revenue & Customs requires UKI to take off tax from this interest. UKI must give Mr and Mrs C a certificate showing how much tax it's taken off, if they ask for one.

## **My final decision**

My final decision is that I uphold this complaint. U K Insurance Limited should now take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C and Mr C to accept or reject my decision before 20 May 2024.

Louise Povey  
**Ombudsman**