

The complaint

Miss B complains that Liverpool Victoria Insurance Company Limited (“LV”) unfairly cancelled her motor insurance policy.

What happened

Miss B held a motor insurance policy with LV which provided cover for two vehicles. In March 2023, Miss B phoned LV to advise it that she had sold one of the vehicles. LV amended her policy and told her she would be refunded £540.13.

Miss B says she didn’t receive the refund. She says that when she made contact with LV it told her the money had been refunded to a card she didn’t hold. Miss B requested a chargeback via her bank and £540.13 was returned to her.

In May 2023, LV told Miss B it had cancelled her policy due to an outstanding payment and £149.36 would be credited to the card she’d used to pay her insurance. After Miss B raised a complaint, LV agreed to hold cover on her remaining vehicle while it investigated it.

In November 2023, LV sent Miss B its response to her complaint. It said the policy was cancelled in May 2023 because of the chargeback which had been sent to the original card used to buy the policy in January 2022. It said it hadn’t received any payments for the car Miss B still owned because a refund for the full year’s balance had been sent back to her at the request of the bank. It said it wasn’t able to continue to hold cover for a vehicle it hadn’t received payment for. It had arranged for a letter of indemnity to be sent to Miss B confirming it would hold cover from 5 May to 20 November 2023. Due to the length of time it had taken to investigate her complaint, it had honoured to hold cover at no cost to her between those dates.

Miss B disputed what LV had said. She said the only payment requested by her bank was the initial refund owed to her of £540.13. She said she had paid for a full year’s cover in January 2023 using her credit card. She queried how LV had claimed to pay her refund to a card she did not use to make the payment in the first instance and why it was holding details from a previous year’s card on account without her knowledge or say so. She said her bank had confirmed only a partial refund of £540.13 was requested. Therefore, the premium for the car she still owned had not been refunded and cover should not have been cancelled.

After some further investigation, LV told Miss B the £540.13 refund from removing one of the vehicles was sent to the saved card on the policy. It gave her a reference number to locate the funds via the bank. It said when a chargeback was requested it sent £540.13 to Miss B’s credit card. Due to the chargeback request, the refund sent and the time spent on the policy it caused the policy to cancel. It said there was an outstanding refund of £149.36 owed to Miss B and asked her how she would like it to be refunded.

Miss B remained unhappy and asked our service to consider the matter.

I issued a provisional decision on 13 March 2024, where I explained why I intended to uphold Miss B’s complaint in part. In that decision 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 Miss B’s complaint in part. I’ll explain why.

Miss B says when she called LV to remove one of her vehicles from her policy, she was told £540.13 would be refunded to the card she’d used to pay for the policy. However, the money wasn’t refunded to the card she’d used. She says LV told her it was refunded to a card ending 0011, which Miss B says didn’t belong to her.

Miss B then requested a chargeback on the card she’d used to pay for the policy and received £540.13 back. LV says that this resulted in a shortfall of £540.13 on Miss B’s account. I can see that LV asked Miss B to contact it about the chargeback in April 2023.

In May 2023, LV wrote to Miss B telling her that it had cancelled her policy due to the outstanding payment and it would be refunding her £149.36. After Miss B raised her complaint, LV sent her several letters confirming it was holding cover for her remaining vehicle while it was investigating the cancellation of her insurance.

LV finished investigating Miss B’s complaint in November 2023. It told her the card ending 0011 was the one that was saved on her account for automatic renewal. It said the bank had updated the system to the new card number after the original card she’d used to pay for her policy in January 2022 had expired.

Miss B says she didn’t agree for LV to use the card she’d originally used to pay for her policy for future payments and it did so without her knowledge. However, the letter confirming Miss B’s cover dated January 2022 says:

“Your policy is set to renew automatically each year – we’ll send you details of your renewal price and cover before this policy ends. If you’d like to opt out of automatic renewal, you can do so any time on LV.com or by phone.”

The renewal correspondence sent to Miss B in December 2022 and January 2023 says LV would be taking payment from the card ending 0011.

Miss B phoned LV in January 2023, after she was informed that LV hadn’t received the payment. I’ve listened to a recording of this call. In this, the adviser says it has a card ending 0011 and asks Miss B if this was the one she wanted to use to make the payment. Miss B says no, she needs to pay with a different card as she doesn’t have sufficient funds. She goes on to pay the full year’s premium using her credit card. LV then asks Miss B if she wants to save the payment details and she says she doesn’t because she might not have the same card next year.

Given that the policy was set to renew automatically, I think it’s likely that Miss B agreed for LV to save the card details she’d used to make her original payment (in January 2022) on the account. I’m also satisfied that LV made Miss B aware that it had the card ending 0011 saved on her account in the correspondence it sent to her and when she phoned to make the payment. Miss B confirmed in the January 2023 call that the policy was set to automatically renew and she was given the opportunity to amend the card details, but she chose not to do so.

I’ve also listened to the call where Miss B asked for one of her vehicles to be removed from her policy - in March 2023. LV told Miss B that the £540.13 refund would be issued back to the card that was used to pay for the policy and it should be in her account within the next

three to five working days. So, I can understand why Miss B was expecting the money to be refunded to her credit card, given that she'd used it to pay for the current year's policy.

I appreciate that what LV said in the call wasn't accurate. However, Miss B says she contacted LV when she didn't receive the refund to her credit card as expected and it told her the money had been refunded to the card saved on her account. So, as far as LV was concerned it had refunded the money to Miss B.

In its correspondence with Miss B in November 2023, LV gave Miss B a reference number to locate the missing funds with a bank. When we asked Miss B if she had attempted to do this, she told us she doesn't have an account with the bank LV had referred to, and it wouldn't speak to her as she isn't the card holder of that card. She said the card she'd used to pay for the policy in January 2022 didn't belong to her. She'd used a relative's card when she purchased the policy online. She said she thought she'd made LV aware that she didn't hold an account with the bank LV said the refund had been sent to. However, it's unclear if Miss B told LV that she'd used a relative's card to pay for the original policy when it was looking into her complaint.

LV has provided screenshots to show that the £540.13 payment issued in March 2023 wasn't returned to it. So, I think it's likely that the money was either received by Miss B's relative or is with their bank. If Miss B's relative doesn't have the money, they may be able to trace it using the reference number LV has provided.

In its final response email of 6 November 2023, LV said it had arranged for a letter of indemnity to be sent to Miss B's email confirming it would hold cover for Miss B's remaining vehicle from 5 May 2023 to 20 November 2023. Due to the length of time it had taken to investigate her complaint, it had honoured to hold cover at no cost to her between those dates. In a follow-up email, LV said there was an outstanding refund of £149.36 which was still owed to her.

It took LV around six months to investigate what had happened to Miss B's refund. There were also some inaccuracies in its final response email of 6 November 2023. It told Miss B the chargeback was sent to the original card used to pay for the policy in January 2022. And it said that it hadn't received any payments for the vehicle Miss B still owned as a refund for the full year's balance had been sent back to her per the request of the bank.

This isn't actually what happened. The chargeback was sent to the credit card which Miss B had used to pay for the policy in January 2023. And she'd received a partial refund of £540.13, not the whole year's balance. LV clarified what had actually happened in an email it sent to her a couple of weeks later, after Miss B queried what it had said.

Keeping in mind that in March 2023, LV also gave Miss B inaccurate information about which card her refund would be sent to, I think LV's communication with her could have been better. However, I don't think it was unreasonable for LV to have issued the refund to the card that was saved on Miss B's account. I'm satisfied that Miss B was aware that LV had a card saved on her account for automatic renewal. And I think she should have been aware that the saved card didn't belong to her, given that she'd made her original payment using a relative's card. So, I don't think it would be fair to hold LV entirely responsible for what went wrong here.

LV agreed to provide Miss B with free cover for May to November 2023. It's also provided her with a reference number which should help her relative trace the £540.13, in the event that they didn't receive it. If the relative is able to provide evidence from the bank that the money was returned to LV, I'd suggest Miss B asks LV to look into it further. But based on what I've seen, I'm not persuaded that LV owes Miss B any money. And I think the six

months' free cover LV gave Miss B is sufficient to compensate her for any distress and inconvenience she's experienced as a result of LV's poor communication and the delay in investigating the matter and dealing with the complaint.

Miss B says she had to take out another insurance policy following the cancellation which cost her a further £700, leaving her in huge financial difficulty. While I understand LV's reasons for cancelling Miss B's policy, I don't think it was fair for it to have done so when it did. I say this because the policy was cancelled before LV had properly explained what had happened with the refund.

On 6 November 2023, LV sent Miss B a letter saying the cover would end on 20 November 2023. This letter was issued the same day as LV's final response to Miss B's complaint. But as I've said, LV's final response letter contained some inaccuracies. LV didn't accurately explain what had happened with the refund until 20 November 2023, which was the day the policy ended. I think the inaccurate information caused Miss B some confusion and she doesn't appear to have been given the opportunity to prevent the policy being cancelled by paying the money that was owed.

Given the above, I think it would be fair for LV to refund Miss B the extra premium she had to pay her new insurer if she provides evidence of this. It should be able to calculate this by comparing the premium Miss B was paying under the cancelled LV policy with the premium she paid for her new policy and refund the difference, assuming everything else remained the same. LV should also provide a letter confirming the policy was cancelled in error and it's refunded the difference in premium. It should also remove any record of having cancelled the policy from internal and external databases.

It's not clear from the information I have whether LV has refunded the £149.36 credit that was left on Miss B's account following the cancellation. If it hasn't, it should refund this to her once she's provided details of the bank account she wants it to be sent to."

I set out what I intended to direct LV to do to put things right. And I gave both parties the opportunity to send me any further information or comments they wanted me to consider before I issued my final decision.

Responses

LV said it officially cancelled Miss B's policy on 5 May 2023. At that time Miss B asked what she should do, and she was given a new sales quote, which was too expensive for her, and she said she would shop around. LV says it agreed it would hold the policy on risk until the complaint was reviewed. LV acknowledged it took a long time to review the complaint, but it said Miss B had free insurance cover from May to November 2023.

LV said when it spoke to Miss B on 20 November 2023 and addressed some of the errors in its previous final response, there was no inclination from Miss B to accept the outcome. Therefore, it didn't agree it should be responsible for refunding the extra premium Miss B had paid her new insurer as she didn't accept the outcome either way.

LV said the cancellation wasn't recorded externally so Miss B didn't have to disclose this to any new insurer, and it didn't need to remove it from any databases.

LV said the £149.36 credit on Miss B's account hadn't been refunded to her because she hadn't replied to its final response letter of 20 November 2023, which asked that she let it know how to refund this. It said it could send this by cheque if appropriate.

Miss B said she didn't agree with the conclusion she was aware the auto renewal was due to be taken from the card ending 0011. She said when she took out the policy online, she provided the name of the cardholder, which clearly wasn't her and there was no notification the card would be held on LV's system. She said when she initially took out cover with LV in January 2022 it was for one car, and she used the card ending 0011 for this. In June 2022, she added cover for her other car and used her own card which for some reason wasn't saved on LV's system. Therefore, LV knew there were two separate cards for the premium in 2022 and she would have expected it to check this, given the renewal payment from the card ending 0011 didn't go through. She said her premium for 2023 was paid by her credit card so the refund should have been paid to it. All other cards relating to her account should have been removed from LV's system, especially when it was told 0011 had expired. She didn't feel LV had used due care in handling her financial data.

Miss B said LV did not provide temporary cover for free. It deducted £314.40 as payment towards the cover. She said LV had included the charge back and refund to card 0011 in its calculation twice, despite this being LV's error. She said she'd also like to point out that the temporary cover was not registered with the MIB database, and she was pulled over by the police on three separate occasions, once on the motorway which was a very scary, traumatising experience. She said the only evidence of cover she could show the police was the letter from LV stating cover was provided. On all three occasions they were not happy and she had to contact LV directly to get confirmation of the cover.

Miss B said the relative who held the card ending 0011 looked into her account and no refund was issued. She no longer holds the card as it had expired, and she was given a new card and does not hold this card. Therefore, she was unable to trace the payment with the bank either.

Miss B also commented that the cancellation of the policy left her in a difficult situation with regards to her no claims discount. She said she had 12 years no claims discount, however given LV cancelled her policy before the end of the full year, she didn't know where this left her, and LV had not advised of this issue.

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 understand Miss B feels that LV shouldn't have saved the details of the card she used when she originally took out the policy online in 2022. However, I explained in my provisional decision why I thought it was likely she did consent to these details being saved.

I appreciate LV's attempt to take the renewal payment from the card ending 0011 was unsuccessful. But I haven't seen any evidence to suggest that the card had expired at that time. LV says the card ending 0011 replaced the card Miss B used when she took out the policy in January 2022, because the original card had expired.

I also explained why I was satisfied that LV had made Miss B aware that the payment details saved on her account were for the card ending 0011. This is clear on the renewal letters it sent her in December 2022 and January 2023. In her phone conversation with LV in January 2023, it is also discussed. Miss B was given the opportunity to change the saved card details on her policy in this call, but she chose not to. So, I'm not persuaded that LV has done anything wrong with respect to the card details that were saved on Miss B's account.

Miss B says LV didn't receive free cover from LV because £314.40 was deducted. However, from what I understand the free cover was from May to November 2023, so Miss B would still have been charged for cover from January to May 2023.

I appreciate Miss B feels LV is wrong to include the charge back and refund to card 0011 in its calculation of the refund that is owed to her. However, as explained I don't think LV is entirely responsible for what went wrong here. I think Miss B should have been aware that the card details LV held on her account belonged to her relative. In her complaint to our service Miss B said LV told her which card the refund had been issued to before she raised the chargeback dispute with her credit card company.

Miss B says her relative didn't receive the refund and is unable to trace the payment with the bank. However, I've seen no evidence to show that the cardholder has attempted to trace the refund with the bank or that the bank has said the funds are with LV.

I understand it was upsetting for Miss B to be stopped by the police and she was inconvenienced each time it happened. However, I'm satisfied LV did provide her with free cover for around six months. And it's willing to refund her the £149.36 credit on her account. So, I'm not persuaded it needs to pay her any additional compensation for distress and inconvenience.

Miss B doesn't appear to have raised any concerns about her no claims discount in her complaint to LV, so this isn't something I can consider in my decision. I wouldn't expect LV's cancellation of Miss B's policy during the year to have affected her no claims discount. But if Miss B has any queries about this, I'd suggest she contact her new insurer or LV directly.

I appreciate LV doesn't feel it's responsible for refunding any extra premium Miss B might have paid her new insurer. However, LV has made several errors in dealing with this matter. It incorrectly told Miss B the refund would be made to the card she'd used to pay for the policy, and it wasn't. I can see Miss B was sent a letter on 27 April 2023 warning her the policy would be cancelled if it didn't hear back from her by 4 May 2023. But this letter said her bank had asked it to return the whole payment of £1,544.02, although the chargeback was only for £540.13.

I haven't been provided with a recording or notes of the call LV says happened on 5 May 2023, so I don't know exactly what was discussed. But it seems Miss B contacted LV only a day after the short deadline she was given. It's unclear why LV made the decision to keep the policy on risk while it was investigating the complaint rather than reinstating it. In any event, LV has acknowledged it took six months to look into the matter and its response to Miss B's complaint was factually inaccurate and confusing.

It's difficult to know what would have happened if LV hadn't made these errors and taken so long to look into the matter. So, I still think it would be fair for LV to reimburse Miss B for any additional premium she paid her new insurer if she provides evidence of this.

LV says it didn't record the cancellation externally. However, I haven't seen evidence to show this. So, if there is any external record of the policy being cancelled by LV, it would need to ensure this is removed.

Miss B may have been required to disclose the cancellation to her new insurer regardless of whether LV recorded it. So, if Miss B requires a letter from LV to confirm the cancellation was made in error, I'd expect LV to provide it.

Having carefully considered both parties' comments, I'm not persuaded to change the conclusions I reached in my provisional decision.

Putting things right

LV should:

- Refund the extra premium Miss B paid her new insurer, upon receipt of evidence from Miss B.
- Provide Miss B with a letter confirming the policy was cancelled in error and it's refunded the difference in premium, if Miss B asks for this.
- Remove any record of LV having cancelled the policy from internal and external databases, if applicable.
- Refund the £149.36 left on Miss B's account after the cancellation if it has not already done so.

My final decision

For the reasons I've explained, I uphold Miss B's complaint and direct Liverpool Victoria Insurance Company 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 Miss B to accept or reject my decision before 25 April 2024.

Anne Muscroft
Ombudsman