

The complaint

Mr R complains about how Advantage Insurance Company Limited (“Advantage”) cancelled his policy which used a telematics device to gather data about his driving.

What happened

Mr R had a car insurance policy with Advantage. The policy required the fitment and use of a telematics device (commonly known as a black box) and an associated app on his phone.

Mr R bought his policy, paying up front for it, in February 2023.

On 25 July Advantage emailed Mr R and told him that it wasn’t receiving his data. It emailed him again on 8 August. It told him it had to receive the data by 22 August or his policy would be cancelled.

Mr R called Advantage on 22 August and explained he’d not had access to his phone and hadn’t seen the emails. He asked to cancel his policy but Advantage said it had already processed the cancellation.

Mr R complained. Advantage said its terms told Mr R what would happen if it didn’t receive data. It also said he wasn’t entitled to a refund of the remaining portion of his premium as there was a claim open under his policy.

As he remained unhappy, he brought his complaint to this service. He explained that the cost of his insurance has increased by several hundred percent because of the cancellation on his file. Our investigator looked into it and thought it would be upheld. She thought Advantage hadn’t followed best practice as it had only used one method to contact Mr R about the cancellation. She said Advantage should remove record of it cancelling the policy from internal and external databases, write to Mr R confirming it had been cancelled in error, and pay him £300 for his distress and inconvenience.

Advantage didn’t agree with the view. It said it had followed the terms of its policy and had emailed and written to Mr R telling him his policy had been cancelled. It asked for this complaint to be reviewed by an ombudsman, so it has been passed to me to make a final decision.

I issued a provisional decision:

Having read the file of evidence, I’m proposing to uphold Mr R’s complaint, but I’m issuing this as a provisional decision because the outcome I’m proposing to reach is different to our investigator’s. I’ll explain why.

I’ve said above that the policy Mr R bought is one that requires the use of a black box device paired with an app. In various parts of the policy terms and conditions it says:

“You will need to ensure that you use the app and your black box on every drive. If you share insufficient driving data with us during your period of cover, it may be cancelled, so it’s important to ensure your trips are recorded accurately.”

And:

"It's a condition of your policy to share your driving data with us through the app and black box"

Advantage says it uses the black box and app to allow it to charge more competitive premiums. If a policyholder doesn't use them then it can cancel the policy:

"We may give you seven days' notice of cancellation

We and your insurer can cancel your policy at any time by sending you seven days' written notice to the last postal or email address on our system, stating why the policy has been cancelled.

We can only do this for one of the following reasons:

- You share an insufficient amount of Driving Data with us during your Policy, we do not receive any Driving Data for more than 28 days, or a significant proportion of your Driving Data is captured without you using the App."*

It's clear from the evidence that Mr R wasn't sending data to Advantage, so under the terms of the policy it's allowed to cancel his policy.

I've looked at the documentation sent to Mr R when he took out the policy and I think the terms and conditions are fair.

I also think it's fair I say Mr R was aware of them as he set up the black box and app initially and it was recording data. I can see he mentions his good driving record too so I think he was aware that data was being sent to Advantage to measure and record this. I say this here because it's important I remind Mr R it's his responsibility to make sure his data is being monitored and sent.

But I can also see that Advantage used only one method to contact Mr R about the data it wasn't receiving. This service thinks using two different methods is best practice. So while I think Advantage followed its terms and conditions, I think it should have contacted Mr R telling him it was going to cancel his policy by both email and another method. This would normally mean by post or a phonecall but other methods may be used.

In later correspondence, Advantage said it did tell Mr R by letter. But it's my understanding this was confirmation of the cancellation, rather than notice that it was going to happen.

So, I don't think Advantage acted fairly in how it cancelled Mr R's policy.

I can also see that Mr R didn't receive a refund of the premium he paid for cover because of an open claim on his policy. Advantage wouldn't refund anything because of this clause:

"if the Policy is cancelled, your insurer won't refund a Premium for any Car where a non-recoverable claim has been made on the Car during the Period of Cover."

Mr R has told this service that he doesn't agree with the claim being on his policy records.

This didn't form part of his approach to Advantage or this service so I'm not able to consider it further here. If Mr R remains unhappy about it then he can make a complaint to Advantage, and this service in due course if he remains unhappy.

But I don't find Advantage's use of this condition fair. Mr R paid for a year's cover and

Advantage ended it early. Then it wouldn't refund him any premium because of the open claim. What this means is that Mr R has paid for a year, but hasn't been able to use the remaining six months of his policy due to Advantage cancelling his cover.

I asked Advantage for data about Mr R's driving record, and for the current position on this open claim mentioned above. But I didn't get any reply. So, I'm issuing this provisional decision based on the information I have.

The policy term used by Advantage to deny Mr R a refund only benefits itself. So, I think the fair solution is for Advantage to refund Mr R the unused portion of his premium, plus interest at 8% simple.

Mr R has explained to this service about the difficulties he's faced following Advantage's decision to cancel his policy. He's talked about his base premium more than tripling, but when he tells new insurance companies about the cancellation then the premiums reach £6-£7,000. He says he can't afford this, so he's not been able to use his car. This means he's not been able to look for work and his studies have been affected.

I've said above that I don't think Advantage did enough to tell Mr R about his policy being cancelled. And I don't think it was entitled to stop his policy mid-term when he'd paid for a year.

It follows I think Advantage needs to remove details of it cancelling his policy from its internal and any external databases it's updated. It needs to write to Mr R confirming it's done this.

I've thought about the impact on Mr R from Advantage's actions and I think it's been significant. Taking everything into account, I think the appropriate level of compensation is £300 for his distress and inconvenience.

Responses to my provisional decision

Mr R accepted my provisional decision. Advantage said it had contacted Mr R by two methods – it sent him an email and uploaded documents to a customer portal. It also said the open claim on Mr R's policy had been closed in October 2023 and it had arranged a refund to be paid following my provisional 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.

Advantage has told me it has now refunded the unused portion of Mr R's premium to him.

I don't know why it hadn't already done this when the claim was closed in October 2023, rather than waiting until my provisional decision was issued. But, I still include the requirement of the pro-rata refund of the unused portion of his policy plus interest at 8% simple as part of this decision. Payments made to date can be deducted from this amount.

Advantage has said it was following the terms of its policy in not refunding Mr R when it cancelled his policy. I dealt with this point in my provisional decision where I talked about the cancellation condition, but I didn't agree its use was fair as it denied Mr R cover for a period he'd already paid for.

I've also been sent evidence that Mr R was contacted by two methods of communication in respect of his pending cancellation. Advantage has said it believes this means it had

complied with the relevant rules in ICOBS and this service's best practice. But I don't think it's done enough. Advantage clearly has the capability to communicate with its customers in many different ways, as it showed by writing a letter to Mr R telling him his policy had been cancelled.

As I said in my provisional decision, the cancellation of a policy, and particularly a motor policy, is potentially very serious and can have far-reaching consequences on a policy holder. So I think Advantage should have done more to warn Mr R here as it's clearly able to do, and this has led to an unfair outcome for Mr R.

My final decision

It's my final decision that I uphold this complaint. I require Advantage Insurance Company Limited to:

- Refund the unused portion of Mr R's premium, plus interest at 8% simple from the date the policy was cancelled to the date payment is made. If payments have already been made then they can be deducted.
- Pay Mr R £300 for his distress and inconvenience.
- Remove cancellation markers it's placed on its internal database and any external databases it may have updated. It should also write to Mr R and confirm it's done this.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 13 May 2024.

Richard Sowden
Ombudsman