

The complaint

Ms C complains that Collingwood Insurance Company Ltd (Collingwood) cancelled her motor insurance policy due to a declined monthly payment and refused to reinstate it.

Ms C is represented by her father, Mr C, in her complaint. I'll refer to Ms C in my decision for ease.

References to Collingwood include its agents.

What happened

Ms C took a learner driver policy with Collingwood to start on 21 April 2023. She opted to pay her premium in monthly instalments. Ms C says her bank told her that a payment due on 31 May failed as Collingwood didn't have the correct authentication process in place. She says the policy was subsequently cancelled on 2 June.

Ms C says she asked for the policy to be reinstated or for a new policy to be set up, but Collingwood refused. It told her there was a balance owing on the cancelled policy.

In its final complaint response Collingwood says it informed Ms C prior to the payment being requested from her bank in May 2023. It tried on two further occasions to collect the money on 1 and 2 June. As this wasn't successful it cancelled the policy as of 11.59pm on 2 June. Collingwood says all necessary information was provided to Ms C including the fees payable in the event of cancellation. It says Ms C owes £120.79.

Ms C didn't think she'd been treated fairly and so she referred the matter to our service. Our investigator upheld her complaint. He says cancelling the policy for a missed payment should be the last resort. He didn't think Collingwood had acted fairly given the short period between the missed payment and the cancellation.

Our investigator says Collingwood should waive or refund the £120.79 balance. In addition, it should remove any record of the cancellation and pay £300 compensation to Ms C.

Collingwood didn't agree with this outcome and asked for an ombudsman to consider the matter.

It has been passed to me to decide.

I issued a provisional decision in April 2024 explaining that I was intending to uphold Ms C's complaint. Here's what I said:

provisional findings

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 my intention is to uphold Ms C's complaint. Let me explain.

Ms C pays her premium by a card arrangement on a monthly basis. This is set up to provide payments automatically and was arranged by her insurance broker. Any complaint involving the broker's actions will need to be considered under a separate reference. My consideration here is about the cancellation of Ms C's policy. Collingwood is responsible for the cancellation. I've thought carefully about whether it treated Ms C fairly when taking this action.

The records show that the first automatic card payment was due to be collected on 30 April 2023. This failed. Payment was then made the same day via a bank transfer. I can see Ms C's broker, acting as Collingwood's agent, contacted Ms C on 26 May to confirm the next payment would be collected on 31 May. This payment also failed.

In its submissions to our service Collingwood says the policy was cancelled on 5 June 2023. This differs to the information contained in its complaint response. In this it said the policy was cancelled as of 11.59pm on 2 June.

The records show Collingwood contacted Ms C and her father by both email and text message on 31 May, 1 June, and 2 June 2023. I've read these messages. They confirm payment must be provided or the policy is at risk of cancellation when the certificate of motor insurance expires on 2 June.

Collingwood wrote to Ms C on 5 June 2023 to confirm the immediate cancellation of her policy. In its letter it says it doesn't wish to provide any further cover, and any attempts to purchase insurance will result in the policy being voided. The business says that Ms C's father contacted it on 6 July to discuss the missing payment. It says he raised the point about authentication and that he had been in contact earlier than 6 July. He also told it that neither he nor his daughter had received the messages it'd sent about the missing payment. Collingwood says it has no record of an earlier contact from Mr C. It also says its reminder messages went to the email and phone numbers Ms C had provided.

There's no dispute that Ms C's payment wasn't provided on 31 May 2023. Two further collections were attempted on 1 and 2 June, which also failed. The policy was then cancelled at 11.59pm on the 2 June.

Ms C's policy terms and conditions say:

"Cancellation by us (immediate cessation of cover)

Where there is a valid reason for doing so, we or our authorised service provider can cancel this policy immediately. We will refund the premium which will be calculated using the scale at the end of this section, as long as the reason for cancellation is not the result of a fraudulent act.

This is a non-exhaustive list of reasons why we may cancel your policy with immediate effect.

1. Non-payment of premium (if you have chosen to pay for your policy by instalments) If you fail to make a payment by the due date outlined in your payment schedule, your policy will terminate upon the expiry of the current Certificate of Motor Insurance"

Typically, an insurer will give at least seven days' notice of cancellation. Given the impact cancellation can have, I think it's fair to expect Collingwood to provide some notice. Seven days is reasonable. But based on its policy terms Collingwood needn't provide notice. I don't think this is fair.

In its response to our investigator's findings Collingwood says if an insurer is expected to provide additional notice for cancellation, this means it'd be exposed to claims under the Road Traffic Act and Article 75 for claims. It says there is no suggestion Ms C, or her father were experiencing financial difficulty. It also reiterates that three contacts were made before the policy was cancelled.

I acknowledge what Collingwood has said. But this doesn't persuade me that it acted reasonably when cancelling Ms C's policy three days after a missed payment. Even if I take the later date of 5 June 2023, this is still only five days after the payment was missed. I note Collingwood's comments that no contact was made after the missed payment until Mr C called in July. However, by 5 June it had already cancelled the policy and said it wouldn't consider providing any further cover.

I understand Collingwood's point about its exposure to claims. However, the increased costs involved for a customer, and the difficulty arranging future cover, is why we consider cancellation should be a last resort. It's not clear why the payment failed in May 2023. But I don't think cancellation in the timeframe discussed here was a reasonable response. I'm satisfied Ms C will have provided payment had she been aware of the missed premium instalment. Had Collingwood been less quick to move to cancelling the policy, this situation could've been avoided.

Having considered all of this I agree with our investigator that Collingwood should remove records of the cancellation from its internal and any external databases. But Collingwood isn't responsible for Ms C's broker's charges. As discussed she can pursue this under a separate reference with our service.

I've thought about the impact the cancellation had on Ms C. She hasn't been able to continue learning to drive for a considerable period. This has no doubt been a source of frustration for her as well as the inconvenience and upset it's caused. In these circumstances I agree with our investigator that Collingwood should compensate Ms C. I think a payment for £300 is fair.

I said I was intending to uphold this complaint and Collingwood should:

- confirm all records of the cancellation have been removed; and
- pay Ms C £300 compensation for the frustration, inconvenience and upset it caused her.

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

Neither party responded with any comments or further information for me to consider.

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 party has made any further submissions or provided further evidence for me to consider, I see no reason to change my provisional findings.

So, my final decision is the same as my provisional decision and for the same reasons.

My final decision

My final decision is that I uphold this complaint. Collingwood Insurance Company Ltd should:

- confirm all records of the cancellation have been removed; and
- pay Ms C £300 compensation for the frustration, inconvenience and upset it caused her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 29 May 2024.

Mike Waldron
Ombudsman