

The complaint

Mrs T has complained that Advantage Insurance Company Limited cancelled her car insurance policy early and that it has charged her the full annual premium.

Advantage was the underwriter of Mrs T's policy, so it's her insurer. This complaint is, in part, about the actions of one of Advantage's agents. As Advantage has accepted its accountability for the actions of its agents, any reference to Advantage in my decision includes its agents.

What happened

Mrs T had a telematics policy with Advantage. Advantage cancelled it by giving her notice in writing as Mrs T's driving score had dropped below the required level. In the email informing Mrs T of this it said she would only pay for the time she was on cover. However, because it had paid out on a claim against the policy Advantage charged the full annual premium. And after Mrs T cancelled her direct debit for the premium instalments Advantage pursued her for the outstanding amount of £1,120.

Mrs T complained about the cancellation and the fact Advantage had charged the full annual premium. Advantage issued a final response letter in which it said it was right to cancel the policy and charge the full annual premium because Mrs T had made a successful claim.

Mrs T asked us to consider her complaint. One of our investigators did this. He said he was satisfied Advantage was entitled to cancel Mrs T's policy because of her driving score going below the required level. But he did not think Advantage was entitled to charge the full annual premium because the policy terms didn't make it clear that it would do this if it cancelled the policy, as opposed to it being cancelled by Mrs T.

Mrs T said she agreed with the investigator's view. Advantage does not agree. It does not think the cancellation term which refers to it charging the full premium if there has been a claim is specific to the customer cancelling only. It's asked for an ombudsman's 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.

Having done so, I've decided to uphold it for the same reason as the investigator.

As Mrs T has not disputed the investigator's view that Advantage had the right to cancel her policy, I will not comment on it in detail. But I should say I am satisfied from the evidence provided and the policy terms that Advantage's decision to do so was reasonable.

However, I do not consider Advantage was entitled to charge Mrs T the full annual premium when it cancelled her policy. This is because the policy term which gives Advantage the right to charge the full premium when the policy is cancelled and a claim has been paid, only appears under the heading 'Your right to cancel the policy', which is referring to the

policyholder's right to cancel and is in larger text. I appreciate the relevant term appears under a smaller sub-heading of 'What happens when the policy is cancelled', but it is still in the section on the customer's right to cancel.

I say this because after it there is another heading in larger text entitled 'Our rights to cancel your policy'. This clearly denotes the start of the section setting out Advantage's rights when it decides to cancel the policy. And there is nothing in this section at all about the full premium being charged if a successful claim has been made.

In addition to this when Advantage sent Mrs T the notice of cancellation it said she would only be charged for the time she was insured with it. And it made no mention of the fact this would not be the case if she had made a successful claim.

In view of this and the fact the policy terms and Summary of Cover are silent on what premium will be charged when Advantage cancels the policy and they don't mention the fact the full premium is payable if a successful claim has been made, I consider it is fair and reasonable for Mrs T to be charged a pro rata premium for the time she was on cover, plus the arrangement fee. It does say in the Summary of Cover that the arrangement fee is non-refundable, irrespective of whether the policyholder or Advantage cancels the policy.

Putting things right

For the reasons set out above, I've decided to uphold Mrs T's complaint. And I consider the fair and reasonable outcome to it is for Advantage to calculate what Mrs T's pro rata premium was for her time on cover and charge her this, plus its arrangement fee. It must then amend what she owes to reflect this and let her know whether she still has anything to pay. And if she does still have something to pay it must allow her a reasonable time to pay it. If it means that Mrs T paid more than she needed to then Advantage should provide her with the appropriate refund, plus interest at 8% per annum simple from the date it cancelled the policy to the date of payment.*

Advantage must also remove any record of the debt it was pursuing Mrs T for from any databases and from her credit record.

*Advantage must tell Mrs T if it has made a deduction for income tax. And, if it has, how much it's taken off. It must also provide a tax deduction certificate for Mrs T if asked to do so. This will allow Mrs T to reclaim the tax from His Majesty's Revenue & Customs (HMRC) if appropriate.

My final decision

I uphold Mrs T's complaint and order Advantage Insurance Company Limited to do what I've set out above in the 'Putting things right' section.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 11 June 2024.

Robert Short
Ombudsman