

## **The complaint**

Mr R has complained about his hire and reward insurer Accelerant Insurance Europe SA/NV UK Branch. He told it he had scrapped his car a few months earlier, but Accelerant wouldn't backdate the cancellation or pay him any refund of premium.

## **What happened**

Mr R scrapped his car on 22 March 2023. But he forgot to cancel his insurance. The insurance was due to renew in November 2023, and in October 2023 Mr R noted monthly direct debits for it were still leaving his account. He called to cancel the cover and provided Accelerant with proof the car had been scrapped.

Accelerant agreed to cancel the cover with immediate effect. It said there was no premium to refund as it had been in place for eleven months – which was in line with its short-term policy rates for cancellation. It said it wouldn't backdate the cancellation because Mr R should have told it when the car was scrapped, and he should have noticed before October 2023 that he hadn't done so. Mr R complained to the Financial Ombudsman Service as he felt it was unfair that Accelerant wouldn't backdate the cancellation.

Our Investigator felt Accelerant had been unfair to not backdate the cancellation as Mr R had simply had no use for the cover after March 2023. She felt it should backdate it and provide a refund.

Considering the short-term rates Accelerant had said would apply to any refund, she asked it for details as to why it felt it was fair to charge those rates. She wasn't persuaded by its reply that using short-term rates on this occasion was fair. Rather than directing Accelerant to provide a refund in line with the policy terms and conditions, she said it should backdate the policy and provide a pro-rata refund – a refund based on the period of cover which began on 4 November 2022 and ran until the car was scrapped on 22 March 2023. She said interest should also be applied to the reimbursed sum, from 20 October 2023, the date Mr R told Accelerant the car had been scrapped, until payment is made.

Accelerant disagreed with the outcome. Its argument reiterated its view that Mr R should have told it earlier and that both its refusal to backdate the cancellation, as well as to apply short-term rates, were in line with what the policy allowed. Which was what Mr R had agreed to. It also said it didn't think the Financial Ombudsman Service should be commenting on what an insurer chooses to charge, and that it felt Mr R's complaint was about it not backdating the cancellation, not about what refund he might receive.

Our Investigator wasn't persuaded to change her view. The complaint was referred 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.

I can see here that Accelerant's policy requires the policyholder to notify it when they wish to cancel. And that in the event of cancellation certain rates will apply to determine what, if any refund, might be due. I accept that Mr R did not tell Accelerant when he wanted to cancel. That he only told it he no longer needed the policy about seven months later. And, to an extent, I can understand Accelerant being aggrieved about that – he should have tried to act in line with the policy he had agreed to.

However, whilst Mr R did not act as he should, it's not necessarily fair for Accelerant to then just blindly follow what the policy allows. That's because it still has a duty to treat him fairly – which includes it not gaining from any failure of his.

Insurance is all about risk. And an insurer sets a premium and takes the relevant money from its policyholder, in line with the risk they've decided that policyholder represents. In this case we're talking about car insurance – specifically hire and reward. So the risk Accelerant is offering cover for is for a specific car driven by Mr R for the purpose of hire and reward. But that car did not exist after March 2023. And Mr R has shown he had a new car insured by another provider. So after March 2023, not only did Mr R have no use for Accelerant's insurance, Accelerant was not exposed to any risk. So there was no good reason for Accelerant to refuse to backdate the cancellation to the date the car was scrapped. Its refusal to do so was unfair and unreasonable.

Mr R didn't complain specifically about the premium refund. But, at that time, Accelerant was refusing to backdate the cancellation. With the policy allowing Accelerant to apply short-term rates for premium refunds upon cancellation, meaning the non-backdated refund would net a zero premium refund for Mr R. So the two are not really separate issues.

In any event, when this Service upholds a complaint, it is part of our role to award redress which is fair and reasonable. Sometimes that might merely mean directing an insurer to settle matters in line with the remaining policy terms. But if we think that would create an unfair outcome, we can make alternative directions to an insurer.

This Service may not have any issue with an insurer charging short-term rates on policies, if they can justify a good reason for treating customers in that way. Accelerant has said it chose to put those terms into the policy to stop policyholders from using an annual policy for short-term cover. It said that's because short-term cover is a greater risk and subject to higher premiums. I don't necessarily dispute the logic of that. But Accelerant has not shown that its policies are or have been utilised in that way, or shown any data that suggests this might be likely. And here it doesn't seem that is what Mr R had intended to do as the policy was in place for around five months before he scrapped the car. I'm satisfied it would not be fair for Accelerant to apply its usual policy terms for cancellation refunds when resolving Mr R's complaint about backdating the cancellation.

On this occasion, I think a fair outcome would be for Accelerant to back date the cancellation to 22 March 2023 and pay Mr R a pro-rata refund. That is to say it will have to take the yearly premium charged for cover, determine its daily rate and apply that daily rate to the period 4 November 2022 to 22 March 2023. It will subtract that total from the yearly premium and refund the remaining sum to Mr R, subject to any cancellation fees it might fairly be able to charge. To the amount to be refunded to Mr R, it will have to add interest\* applied from the 20 October 2023, the date he told it of the scrapping and when it should fairly have agreed to backdate the cancellation and provide a premium refund, until payment is made.

I note Mr R hasn't asked for compensation. It was unfair of Accelerant to not backdate the cancellation – but Mr R wouldn't have had to ask it to do that if he hadn't forgotten to cancel the cover in the first place. So on this occasion I find it wouldn't be fair to award

compensation for distress and inconvenience caused by Accelerant's unfair and unreasonable decision.

### **Putting things right**

I require Accelerant to:

- Backdate the policy cancellation on its own and any external databases to show cancellation occurred on 22 March 2023.
- Provide a pro-rata premium refund for the time cover was in place, 4 November 2022 until 22 March 2023. The refund will be subject to any fairly applicable cancellation fee.
- Add interest to the amount to be refunded to Mr R, applied on that sum from 20 October 2023 until payment is made.

\*Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. HM Revenue & Customs may require Accelerant to take off tax from this interest. If asked, it must give Mr R a certificate showing how much tax it's taken off.

### **My final decision**

I uphold this complaint. I require Accelerant Insurance Europe SA/NV UK Branch to provide the redress set out above at "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 23 July 2024.

Fiona Robinson  
**Ombudsman**