

The complaint

Mr H complains that Aioi Nissay Dowa Insurance UK Limited (ANDI) unreasonably requested outstanding premium payments and cancelled his motor insurance policy.

What happened

Mr H held a motor insurance policy with ANDI. He paid his annual premium in monthly instalments. Mr H made a claim after a collision and his car was declared a total loss. After deducting the relevant policy excess from the car's value, ANDI applied the settlement figure to the outstanding unpaid premium to reduce Mr H's monthly payments.

Mr H disputed the amount that was due and after monthly payments weren't made, ANDI cancelled Mr H's policy.

Mr H complained and ANDI recognised that its handling of the premium payments could have been better and offered £100 compensation which would be deducted from the outstanding amount.

As Mr H remained dissatisfied, he referred his complaint to our service. During the course of our investigation, ANDI said it had recalculated the amount which was due. Our investigator thought this figure was correct and ANDI could fairly require Mr H to pay this. She did think its communication should have been better and ANDI should pay £100 compensation to Mr H to recognise this. ANDI accepted this but Mr H didn't. He 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.

Mr H's policy with ANDI wasn't provided on a month-to-month rolling basis. It was an annual policy with the premium being paid in monthly instalments. What this means is that in the event of a claim being made the full premium was due, even if the policy was cancelled after making the claim. The terms and conditions of Mr H's policy say, where a policy is cancelled:

If you have not paid all your premium, your full annual premium remains payable unless this has already been deducted from your claim settlement.

and

If you have made a claim, or one has been made against you, during the period up to the effective date of cancellation of this policy then the full amount of premium may become due and payable and all unpaid premium may be deducted from the claims settlement otherwise payable to you, and we will seek to recover any outstanding premium directly from you.

This is what happened here. Mr H made a claim and his car was declared a total loss. ANDI calculated the settlement and applied the policy excess. That amount was deducted from the outstanding premium. ANDI then attempted to take payments to continue paying off the

premium but these were unsuccessful. There was contact between Mr H and ANDI about the outstanding premium and I'm satisfied from these that while Mr H was dissatisfied about the situation, it had been explained to him he was liable for the outstanding premium. When no payments were received from Mr H, ANDI acted reasonably in cancelling his policy. This was in line with what it said it would do if Mr H didn't make payments. It's fair for an insurer to cancel a policy if payments towards the premium aren't made as an important term of the contract, to pay the premium, isn't being met.

An error was made by ANDI in its calculations and so the amount it told Mr H he needed to pay, £1372.16, was higher than it should have been. However, it now says £1,046.14 is due and I'm satisfied this amount is correct – the calculations provided accurately reflect the amount Mr H had already paid, the settlement amount and the outstanding premium. The amount ANDI's asking to be repaid has also been reduced by £100 to £946.14 because it offered £100 compensation to recognise there had been confusion about the amounts owed in a phone call, and applied that to the outstanding balance. I think the offer of compensation originally offered is fair in the circumstances. It reflects the confusion caused to Mr H but also recognises there were other phone calls in which Mr H's obligation to make payments towards the premium was properly communicated.

It's reasonable for ANDI to require payment of £946.14 as it's the figure due in order to pay off Mr H's total premium, which he agreed to when taking out the policy. As a claim has been made, the full amount is due. It wouldn't be fair for me to require ANDI to waive this amount because an error was made when it calculated the amount due or Mr H may have been confused about what was owed following a phone call. There were other phone calls and contact with Mr H in which it was clearly, and fairly, explained why the premium was due.

However, I do think it's reasonable that the distress caused by ANDI's incorrect calculations should be recognised by way of a further compensation payment to Mr H. I note that prior to Mr H's referral of the complaint to our service, ANDI was continuing to ask for repayment of the higher, incorrect figure. While the amount of £946.14 was reasonably due and needed to be repaid by Mr H, I think it's fair to say a request for a higher amount would cause unnecessary upset.

The difference was over £300, a not insignificant amount in the context of the premium and claim value. I'm conscious that if Mr H had overpaid, as ANDI requested, he may have been given a refund of that overpayment but can't be sure that would have happened. In any case that doesn't lessen the impact on Mr H of being asked for the incorrect, higher amount. In all the circumstances, I think the £100 compensation our investigator said ANDI should pay is reasonable. It properly reflects the upset caused to Mr H while also recognising that there remained, and remains, a payment which Mr H is liable for to pay off the premium. The existence of that liability isn't something ANDI is at fault for.

My final decision

I uphold Mr H's complaint in part. In order to put things right, Aioi Nissay Dowa Insurance UK Limited must pay Mr H £100 compensation. It must pay this amount within 28 days of us telling it Mr H accepts our final decision. If it doesn't, then it must pay simple interest at a rate of 8% per year from that date to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 19 September 2024.

Ben Williams
Ombudsman