

The complaint

Mrs S has complained about her car insurer One Insurance Limited because, shortly after she made a claim to it, it cancelled her policy.

What happened

Mrs S arranged cover provided by One Insurance via a price comparison website (PCW). The cover was branded and managed by another insurer, Y.

When Mrs S had an accident, she called Y to make a claim. It asked her a series of questions including whether or not she had a second occupation. Mrs S did and told Y so. Y said this hadn't been disclosed when Mrs S arranged the policy. It ran a fresh quote with that detail added but cover wasn't available with that additional detail. The policy was subsequently cancelled, with Y asking for the full year's premium to be paid (because there was an open claim). Y later involved debt collectors regarding the outstanding premium.

Mrs S didn't recall being asked about her second occupation when she arranged cover. And she felt both jobs were very similar. When she complained Y said she would have been asked, and it had been directed to cancel the policy once that detail was provided. It said it had initially been correct that Mrs S had been asked to pay the premium, with debt recovery action flowing naturally when no payment was made. But it was aware that the claim had since closed so it would review the cancellation as though there had not been a claim. It said it would send an amended calculation of what was owed and it would ensure no debt recovery charges were added.

As Mrs S remained unhappy, she arranged alternative insurance at a higher cost and complained to the Financial Ombudsman Service. Our Investigator contacted One Insurance as the decision to cancel rested with it. One Insurance said Y had acted on its behalf regarding the cancellation itself – but any issues with cancellation paperwork and the decision to involve debt collection, lay directly with Y as its job was to administer the policy.

One Insurance also said it was still happy to settle the claim if needed. It clarified that Mrs S had **not** been asked about a second occupation by the PCW. Nor did any question or detail about any second occupation appear on the statement of fact. As such, One Insurance said it had not treated this as a misrepresentation. However, it said it had no choice but to cancel the cover once the detail was known, although it hadn't made any negative record of this.

Our Investigator was minded to uphold the complaint. He felt One Insurance had caused Mrs S to be in this position because it hadn't been careful enough when the cover was arranged. He made a number of suggestions for this to be put right.

One Insurance wasn't minded to agree with our Investigator's findings. It said, essentially, that any failure, which may have occurred, was Y's, not its. The complaint was referred to me for an Ombudsman's decision.

I, like our Investigator, felt One Insurance had caused Mrs S to be in this position and all because it had failed to ensure, when the policy was arranged, that its prospective

policyholder was asked key questions about everything important to it. Where it had allowed its cover to be sold via Y and the PCW – so any failure in that process was its to bear. But my view on what One Insurance needed to do to put matters right differed to that set out by our Investigator. So I issued a provisional decision to share my views with both parties. My provisional findings were:

If a prospective policyholder makes a mistake or fails to answer an insurer's question when applying for a policy, this is known in the insurance industry as a misrepresentation. A misrepresentation can have serious consequences for both parties. So there is legislation, the Consumer Insurance Disclosure and Representations Act) which set out the rights and obligations of both parties regarding policy applications.

One Insurance has said that it is not treating this situation as a misrepresentation – that is why it cancelled the policy instead of seeking to utilise remedies afforded by the legislation. But the legislation is in place, as I noted above, to set out the rights and obligations of both parties when policies are arranged. Something important within the legislation is that an insurer should be asking a policyholder clear questions about anything material to its decision to offer cover. If it doesn't ask a question, or if an unclear question is asked, which results in incorrect or incomplete detail on that topic being given to it, upon which it forms its decision to offer cover, then the insurer is not afforded any remedy to rectify that.

Here One Insurance wanted to know if Mrs S had a second occupation. That was important to it. It's shown that given her first occupation, which involved her taking cover for business use of her car, it would not have offered her cover if it had known of her second occupation. Likely because the 'business use' would not be restricted to the first occupation only, and clearly, for her second occupation, One Insurance did not want to provide 'business cover'. But One Insurance did not ask Mrs S about her second occupation. It had the chance to, but did not. Both parties entered into the contract for cover based on the questions asked, and the answers Mrs S gave, which were correct. One Insurance doesn't get the chance to re-write that later, off the back of its mistake, effectively subverting the requirements of the legislation – that is not fair.

I appreciate that once One Insurance became aware of the second occupation, it could not offer cover that took that risk into account. But One Insurance was happy to allow the cover to be put in place without considering whether or not Mrs S held a second relevant occupation. So One Insurance, to have treated Mrs S fairly, should have continued cover to the point of the next renewal without factoring that extra risk into the premium charged.

That, of course, isn't what One Insurance did. Instead it chose to 'fix' its own mistake by placing Mrs S into the unenviable position of having a policy cancelled and trying to find alternative cover with an open claim on her record. I can see that the cancellation itself was stressful and worrying for Mrs S, and I accept that trying to find alternative cover was also an inconvenience. On top of that Mrs S was then faced with debt collection activity.

I accept that One Insurance did not instigate that activity. That was Y because the outstanding premium was, effectively, owed to it. But it was One Insurance's unfair act of cancelling the cover, or directing Y to cancel it, or because it did not pro-actively offer to continue cover regardless, which created the situation where the broker could ask for further payment and then instruct debt collection. The upset Mrs S felt in this respect stemmed from One Insurance's failure.

I'm aware that Y is meant to have sorted things out with debt recovery – ceasing activity and removing any charges. If Mrs S has any issue with this – and/or if Y has not recalculated the end of policy balance – she should take this up with it.

In the meantime, it's unclear if this will have affected Mrs S's credit record. It's also unclear if Y has made any record on any external databases regarding the cancellation. In order that Mrs S isn't disadvantaged in these respects, I'm going to require One Insurance to write a letter about each. One explaining that any missed or late payments or any debt recovery related to this policy occurred because of its error. The second should explain that this policy was not cancelled by it – that it was cancelled by Mrs S after an error by it. Should the need arise for her, Mrs S can then use these letters to explain her credit history and/or any record which shows there was an insurer cancellation.

I know Mrs S took out alternative cover. This was at a cost of £464.23. Her cover with One Insurance – which should have remained in place for the remainder of the policy year, cost £232.50. I'm going to require One Insurance to refund to Mrs S the difference in cost – £231.73. To the difference it will have to add interest applied from 26 September 2023, the date of the alternative cover, until settlement is made.*

I've noted above that I think Mrs S was put through a lot on account of One Insurance's unfair actions. Initially its unfair act of not asking adequate questions when the policy was arranged and then in it trying to fix that by unfairly cancelling the policy. I think it's also taken a lot of effort by Mrs S to resolve all of this. I think £300 compensation is fairly and reasonably due."

Mrs S said she was pleased with the decision. She noted her car is still not fixed.

One Insurance said some valid points had likely been made about the sales process. But it said it had told the broker to go ahead with everything on 21 September, regardless of the second occupation. It sent a copy of a call note to verify this. One Insurance said it didn't feel it was fair then to say it was liable for the cancellation which followed, that rather the complaint should be reassessed against the broker.

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.

This complaint was made about the cancellation. But I note One Insurance has said previously it was always willing to consider the damage claim. If Mrs S wants to pursue the repair of her car, she should speak to One Insurance.

I've reviewed the call note One Insurance copied over. It does seem to record that One Insurance was happy on the 21 September to overlook the second occupation. But I also reviewed again the full record of claim notes which One Insurance provided previously. The notes show that on the very next day the broker called One Insurance back and said a new quote for cover, to include the second occupation, couldn't be obtained. And when One Insurance responded to this Service with its complaint file it said:

"the cancellation itself was based on One Insurance Limited's criteria."

And, in another email:

"The cover still needed to be cancelled as no quotation could be offered based on the criteria so we could not proceed with the cover..."

So the broker acted in line with One Insurance's criteria, meaning the action it took was on behalf of One Insurance. All the broker could reasonably do was run the quote. But what One Insurance could have done, as I said provisionally, was to make a reasonable decision to continue with the original cover, setting the additional risk presented by the second occupation aside. If it had told the broker to do that, then the cancellation would not have

occurred. I am satisfied that One Insurance failed Mrs S in this respect and it's only fair and reasonable for it to have to act to put matters right.

Having considered One Insurance's response to my provisional decision, my views on the complaint have not changed. As such my provisional findings are now those of this my final decision.

Putting things right

I require One Insurance Limited to:

- Write a letter explaining that any record of a missed or late payment or debt recovery activity associated with this account was caused by an error of it.
- Write a letter explaining that any record of this policy being cancelled by it is incorrect – that it was cancelled by Mrs S after an error by it.
- Pay Mrs S £231.73, as reimbursement of the cost for alternative cover, plus interest* applied from 26 September 2023 until settlement is made.
- Pay Mrs S a total of £300 compensation.

*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 One Insurance to take off tax from this interest. If asked, it must give Mrs S a certificate showing how much tax it's taken off.

My final decision

I uphold this complaint. I require One Insurance Limited to provide the redress set out above at "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 14 August 2024.

Fiona Robinson
Ombudsman