

The complaint

Mr S has complained about his car insurer West Bay Insurance Plc because it cancelled his policy, which left him having to pay for taxis and occasionally paying for temporary insurance cover for his car in order to get to work.

What happened

Mr S's policy with West Bay, arranged via a broker, was due to renew in June 2023. The day before renewal a third-party driver made a claim against the policy. West Bay tried to contact Mr S but he hadn't been aware of an incident so thought he was being contacted as part of a scam. In November 2023 Mr S received a letter explaining that if he did not contact West Bay, his policy would be cancelled. Mr S did contact West Bay, but his policy was cancelled on 20 November 2023 (West Bay later said 29 November 2023 was the intended cancellation date). This left Mr S unable to drive his car and he incurred costs to stay mobile.

When Mr S complained to West Bay it issued three final response letters to him. Its position on why the policy was cancelled changed – but it felt the cancellation itself had been fair in the circumstances. It accepted though that it had made some mistakes so paid a total of £475 compensation to Mr S. West Bay said it would be minded to cover any costs Mr S had incurred for transport from 20 - 29 November 2023.

Mr S didn't think West Bay's redress went far enough. He felt it should be paying his costs over a longer period. He also felt it should be reinstating his policy or, if as it said this could not be done, arranging alternate cover for him. Mr S complained to the Financial Ombudsman Service.

Our Investigator felt West Bay's cancellation had been unfair. She felt fair redress to make up for this was for it to reimburse Mr S's taxi and temporary insurance costs. She also noted Mr S had subsequently found a replacement annual policy. She said West Bay should reimburse the difference in price between this policy and what Mr S would have paid to it up to the point his policy with it should have renewed. She wasn't minded to make it pay further compensation in addition to the sum paid of £475 – she felt that was fair.

Mr S was minded to agree to that. West Bay was not.

West Bay maintained that its cancellation had been fair. It also said that Mr S had likely been unable to afford new annual cover initially because of the claim, rather than its cancellation – with the new policy Mr S did arrange being taken out after the claim (found to be fraudulent) had been removed from Mr S's history. So West Bay felt it wouldn't be fair for it to have to reimburse his outlay.

The complaint was referred to me for an Ombudsman's decision. Like our Investigator, I was minded to uphold it. But I felt different redress was required. So I issued a provisional decision allowing both parties a chance to respond to my findings.

Having received my provisional decision, Mr S said he agreed with it. West Bay said it had already emphasised its position during our Investigator's assessment and, in the main, it had

nothing further to add. It did say though that it hadn't applied any "enforced cancellation" markers against Mr S's record.

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 said provisionally:

"My background above is a summary of the key points that led to this complaint and decision. It's brief though and I think it's fair to say that what possibly isn't reflected by that background is that a fairly complex set of circumstances arose here – which resulted in Mr S's policy being cancelled. I think that here all those circumstances were all beyond Mr S's control. I think that even his initial failure to engage with West Bay was understandable in the circumstances. With a policy cancellation having the potential to cause a significant impact on a policyholder, I have to think then, was it fair for Mr S to be left in such a position. As I said above, I don't think it was.

West Bay has explained that whilst it cancelled the policy on 20 November 2023, that had been premature, it had intended to cancel it on 29 November 2023. Cutting through some of the complexity of what happened and West Bay's arguments then, I've considered what West Bay likely knew at the point it intended to cancel the policy to see whether cancelling it then would have been fair.

The argument for cancelling the cover on 29 November 2023 was that Mr S's policy, when it renewed in June 2023, should have been rated to take the claim into account. However, it wasn't and as that had then been done, the policy fell outside of its risk criteria because of the claim. So West Bay felt cancelling was fair. I'm not persuaded that was fair for a number of reasons. The prime one being that by 29 November 2023 West Bay knew that it was satisfied that the claim against Mr S was fraudulent. It repudiated that claim just a few days later on 8 December 2023. Reviewing cases on the basis of what would have happened is at the heart of this Service's approach. But doing it whilst being blinkered to such a key factor like that in play here, created, in my view, an unbalanced decision weighted in favour of West Bay. I'm currently satisfied that West Bay's cancellation was wholly unfair.

So I've looked at what is required to put things right. I know Mr S thinks West Bay must reinstate his policy or find him alternate cover. I couldn't reasonably require West Bay to search for cover for Mr S – that wouldn't be fair, searching for cover is something a broker would do, not an insurer. And I note Mr S has alternate cover now anyway.

West Bay will need to amend its own and any industry record to show the policy with it was cancelled by Mr S. I note that, in respect of the claim, it has amended the industry record so the claim is no longer showing and it has allowed Mr S's no claims discount.

In terms of Mr S's costs incurred it can be quite difficult to provide an exact and fair remedy in this sort of circumstance. That is because the fair answer involves accounting for what the policyholder's costs would otherwise have been and setting those against what they actually spent, which are often made up of small daily sums. Here, for example, whilst Mr S was paying at one time for daily taxi journeys, if the policy had not been cancelled, he would have been paying a premium to West Bay, plus other overheads for the car such as fuel.

Another difficulty in this type of calculation comes when looking at the new cover Mr S took. For me to require West Bay to pay the difference between that cover and what Mr S would have paid to it, I'd have to be satisfied the policies were reasonably comparable. Here, I'm

not. Not least because the new policy is for a different car – a car West Bay did not cover for Mr S.

I am satisfied though that Mr S likely incurred some extra costs due to the cancellation. I note his total taxi and temporary insurance costs were £1,078.31, with a base comparison on the old and new policies showing a difference over a three-month period of £232.95. Having thought about all of the factors I need to take into account, as explained above, to reach a fair outcome, I think payment by West Bay of £1,000 will fairly and reasonably compensate Mr S for his likely additional outlay.

I'm satisfied that takes care of Mr S financial loss. But I think further compensation is required for his non-financial loss – the distress and inconvenience West Bay caused.

I note the not insubstantial payment of £475 already made. But I bear in mind that Mr S suddenly found himself without insurance because of West Bay – and travelling by taxi especially whilst trying to maintain one's job is difficult. Not unless or until the claim and cancellation issues were resolved could Mr S have expected to find insurance at a reasonable sum. Mr S did that in March 2024. So he had around four months of significant daily inconvenience because of West Bay.

In terms of communication from West Bay and the contents of what it was telling Mr S, that wasn't a smooth four months. I'm satisfied Mr S was caused distress by everything which was going on.

I think West Bay should pay a total of £750 compensation. A further £275."

I note Mr S has accepted my above findings. I also note that West Bay, in reply to my provisional decision, has sought to rely on its comments previously made. I can assure West Bay that I considered everything it said previously when reaching my provisional decision. So there's no need for me to review those comments and arguments again.

I'm pleased to note West Bay's comment about how the cancellation was recorded. When a policyholder takes out new cover they are often asked whether or not they've had a policy cancelled by an insurer. This is what West Bay was confirming when it said an "enforced cancellation" had not been recorded against Mr S's record. I thank West Bay for confirming that, but I note it hasn't shown us how the cancellation was recorded. Just in case Mr S should have some future issue over this cancellation record, I'll maintain my provisional award for amending the record. That way, if an "enforced cancellation" record should appear somewhere, Mr S will already have a decision requiring West Bay to amend that record.

Putting things right

I require West Bay to:

- Amend (should such be shown to be necessary as explained above) the record of the cancellation on its own and any industry database to show it was cancelled by Mr S. Confirming to Mr S it has done so.
- Pay Mr S £1,000 as compensation for his financial loss.
- Pay Mr S a further £275 compensation for distress and inconvenience, where my total award is £750, of which £475 has already been paid.

My final decision

I uphold this complaint. I require West Bay Insurance Plc 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 S to accept or reject my decision before 22 August 2024.

Fiona Robinson
Ombudsman