

The complaint

Mr P complains that The Royal London Mutual Insurance Society Limited (trading as Police Mutual) cancelled his motor insurance policy without providing sufficient notice. He wants the policy reinstated.

What happened

Mr P missed a direct debit payment for his policy taken through Police Mutual. It emailed him asking for payment and then emailed a notice of cancellation. Mr P didn't respond as he said the emails went to his spam folder. And so the policy cancelled and Police Mutual wrote to Mr P confirming this. Mr P responded immediately explaining that he'd been on holiday and hadn't seen the earlier emails. He paid the missing instalment. But Police Mutual said the insurer wouldn't reinstate cover due to changes in its underwriting guidelines.

our investigator's view

Our Investigator recommended that the complaint should be upheld. He thought Police Mutual hadn't given Mr P sufficient warning that his policy would cancel. He thought it should have contacted him using at least two communication methods. He thought Mr P would have paid the missing instalment if he had been made aware of this.

And so he thought Police Mutual should arrange for the policy to be reinstated as it had been unfairly cancelled and remove any cancellation markers. And he thought it should pay Mr P £250 compensation for his trouble and upset caused when he couldn't find cover elsewhere.

Mr P replied that he wanted over £10,000 compensation for his lease costs whilst he was unable to use his car as it was uninsured, for the cost of six months' cover and compensation for his trouble and upset. He said he would provide evidence of his alternative travel costs for our consideration.

Police Mutual replied that Mr P had a history of missed payments and understood the default process. It said email was his preferred communication method and had been used successfully in the past. It said the insurer wouldn't reinstate and backdate the policy, but it would quote for a new policy.

my provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Mr P and to Police Mutual on 21 June 2024. I summarise my findings:

I could understand that Mr P felt frustrated that his policy was cancelled and that he couldn't find cover elsewhere. He explained that this meant he was unable to drive his car, and this caused him inconvenience and extra costs.

I firstly considered whether Police Mutual cancelled Mr P's policy fairly and reasonably. Police Mutual had provided evidence to show that Mr P had missed monthly instalment payments for his premium multiple times in the past and he had previously had a policy cancelled due to non-payment. So I accepted that Mr P should have been aware of the default process. And I also accepted that it was for Mr P to ensure that his direct debit payment could be collected.

But, as our Investigator had explained, we think brokers and insurers should take reasonable steps to ensure that consumers are made aware of the potential cancellation of their policy as this will have serious consequences for them. And we think communication of a potential cancellation to a consumer should be made by at least two methods to avoid any risks of it not being received.

Police Mutual emailed Mr P twice, but he was on holiday and the emails went into his spam folder on his online account. Police Mutual said email was Mr P's communication preference, but this doesn't mean that it shouldn't have tried to contact him by other means when he didn't respond.

Mr P did receive its third email confirming the cancellation and Mr P responded immediately, making the missed payment. But the policy had already cancelled an hour earlier. So I was satisfied that if Police Mutual had made better contact with Mr P, he would have paid the missing payment, as he'd done often before, and so avoided the cancellation. And so I thought the policy was cancelled unfairly.

When a business makes a mistake, as I thought Police Mutual had done here, we expect it to restore the consumer's position, as far as it's able to do so. And we also consider the impact the error had on the consumer.

To restore Mr P's position, I thought about what should have happened. Mr P would have retained his policy until the end of its term five months later and he'd have had the use of his car. Mr P said he'd send us evidence of his alternative travel costs for consideration, but he hasn't done so. So I had no evidence to show that he incurred any extra costs due to not being able to use his car.

Mr P said Police Mutual should reimburse his lease payments as he couldn't use his car whilst it was uninsured. But I disagreed as Police Mutual isn't responsible for Mr P's arrangements with his finance company and he'd have had to pay these costs in any case.

So, to put things right, I thought Police Mutual should remove records of the unfair cancellation from its own systems and ask the insurer to do the same. It should also provide Mr P with a letter stating that the policy was cancelled in error.

Our Investigator recommended that Police Mutual should arrange for the policy to be reinstated. But Police Mutual had provided evidence from the underwriter that it was unwilling to reinstate and backdate the policy due to the unknown liabilities during the period before the policy was due to end. And Police Mutual had changed its underwriter and this was unwilling to insure Mr P's make and model of car. So I didn't think Police Mutual could arrange for the policy to be reinstated.

Where a consumer has had a policy cancelled and they have taken out new cover with the cancellation disclosed, we would usually ask the broker to refund the difference between what the consumer paid for the new policy and what they would have paid.

But Mr P was unable to take out new cover from another insurer. However, he told us his previous insurer was willing to set up a new policy for him at his new address and it quoted £5,207 for this. I can't see whether this was with the cancellation marker. Mr P's previous annual premium with the same insurer had been much lower (£1,761.36), but, as Mr P was aware, there have been changes nationally in the ratings for his car and at his old address.

Without the unfair cancellation, I think Mr P would most likely have renewed his policy. He'd been with the same broker and insurer for many years. Police Mutual told him that the insurer wasn't issuing new policies for his make and model of car at his old address, but:

"Whilst we can continue cover for existing customers at renewal, we are no longer able to provide new business policies."

Mr P couldn't renew his policy as it was unfairly cancelled and now he will have to pay more for a new policy. So Mr P has suffered a loss. But because of the changes in underwriting

criteria I couldn't calculate what extra he will have to pay because the policy was cancelled. And I couldn't say what will happen in future years.

Mr P said his lease was due to end in about December 2024. I thought Mr P could have mitigated his losses and accepted the quote for cover that he was provided after he changed his address last year, but he didn't do so. Mr P said he'd handed the car back to the dealer in the interim, but he couldn't end the lease. So Mr P would need to insure his car for the remainder of the lease, about five months, if he intended to drive it.

So I thought the fairest way for Police Mutual to restore Mr P's position due to this loss was to pay him five twelfths of the difference between the annual cost of the renewal of the old policy and the quote for the new policy at his new address without the cancellation marker. This would allow Mr P to buy cover for the remaining five months of the lease. But Mr P would have to provide reasonable evidence to show that the car remained in his possession.

Mr P showed us that he was unable to find alternative cover despite his many attempts. And he suffered trouble and upset because of this. Our Investigator recommended that Police Mutual should pay him £250 compensation for this.

I could understand that Mr P felt this was insufficient. But I thought it was in keeping with our published guidance for the level of impact in his circumstances. I considered this impact up to the point where he could have mitigated his losses and taken out cover for a higher price. And so I didn't require Police Mutual to increase this.

Subject to any further representations from Mr P and Police Mutual, my provisional decision was that I intended to uphold this complaint.

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 P didn't reply to my provisional decision. Police Mutual replied that it didn't think it needed to communicate with Mr P other than through his preferred method of contact. Police Mutual said that Mr P hadn't paid the full year's cover because of the cancellation. Police Mutual questioned whether Mr P still retained the car. And Police Mutual said that Mr P had several opportunities to buy a new policy, albeit for an increased price. It said it couldn't now calculate what the underwriter would have charged at renewal for cover at his new address.

As I've said above, we think brokers and insurers should take reasonable steps to ensure that consumers are made aware of the potential cancellation of their policy as this will have serious consequences for them. And we think communication of a potential cancellation to a consumer should be made by at least two methods to avoid any risks of it not being received.

Police Mutual used Mr P's preferred email to communicate with him. It said it couldn't be responsible for its emails going into Mr P's spam folder. And it said it didn't post letters or call consumers about missed payments. But I still think it should have used another method, such as text, to alert Mr P to the potential cancellation when he didn't respond to its email. And, as I've said above, I'm satisfied that if it had done this then he would have made the payment and so avoided the cancellation and then been able to renew his policy.

I accept Police Mutual's point that Mr P didn't pay for his full year's cover as the policy was cancelled. But I haven't asked it to reinstate the policy for the rest of that year. So I can't see that this is relevant.

Police Mutual said it couldn't now calculate what the underwriter would have charged Mr P for cover at his new address. But I don't think this is needed. It has explained that it has a quote for renewal with the previous underwriter at Mr P's old address, without the cancellation marker, £2,479. Without the cancellation, this is what Mr P would have paid to

renew his cover. But the quote that Mr P was later provided by the new insurer with the cancellation marker was much higher, £5,207. I can understand why he didn't accept this.

As I've said above, where a consumer has had a policy cancelled and they have taken out new cover with the cancellation disclosed, we would usually ask the broker to refund the difference between what the consumer paid for the new policy and what they would have paid.

So I can see what amount Mr P would have paid and what he was quoted for cover but didn't accept. This quote includes the cancellation marker, so this will need to be recalculated. Mr P needs to insure his car for the remainder of the lease, about five months, if he intends to drive it.

So, to restore Mr P's position, I still think Police Mutual should pay him the difference between what he would have paid and would now have to pay for his cover for the remainder of the lease. This is for five months cover, so the amount will be five twelfths of the difference in annual costs. But I accept that Mr P hasn't provided evidence that he still retains the car. He will need to do so if he wants to receive compensation for his loss caused by the unfair cancellation.

Putting things right

I require The Royal London Mutual Insurance Society Limited to do the following:

1. Remove records of the unfair cancellation from its own systems and ask the insurer to do the same. It should also provide Mr P with a letter stating that the policy was cancelled in error.
2. Pay Mr P five twelfths of the difference between the annual cost of the renewal of the old policy and the quote for the new policy at his new address without the cancellation marker, upon production of evidence that he still retains the car.
3. Pay Mr P £250 compensation for the distress and inconvenience caused by the unfair cancellation of his policy.

My final decision

For the reasons given above, my final decision is that I uphold this complaint. I require The Royal London Mutual Insurance Society Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 27 August 2024.

Phillip Berechree
Ombudsman