

The complaint

Mr P has complained that esure Insurance Limited unreasonably cancelled his motor policy following a claim.

What happened

Mr P insured his car with esure from June 2023. Sadly, in July 2023 his car caught fire and was eventually deemed a total loss. Mr P bought a van and added it to his policy in August 2023.

However, on 8 August 2023 Mr P said an unexpected direct debit of £109.27 was attempted to be taken from his bank account by esure but was unsuccessful. And the next day another payment of £39.39 was successfully taken. Then Mr P said he received a credit payment from esure of £26.28 on 11 August 2023 but he didn't know what this was for. On 2 September 2023 a Direct Debit payment of £2.96 was attempted by esure but unsuccessfully. However, on 6 September given the addition of the van to his policy the monthly premium Mr P said he was told to pay subsequently of £39.34 was successfully paid from Mr P's bank account.

However, esure cancelled his policy on 19 September 2023, as it said its direct debit requests were refused on both 8 August and 2 September. When Mr P phoned up to try and find out why this had happened, he said the adviser in esure couldn't work it out. But he was told his policy wouldn't be able to be reinstated and that he should look for alternative cover. It also continued to chase him for £300 odd for his claim, but he was unsure what this was for. His claim for the total loss of his car remained unpaid at this stage, which Mr P thought was very unfair as esure had delayed the validation of his claim.

Mr P was very upset his policy had been cancelled and that esure failed to clarify the payments he had apparently missed paying. He was also upset that the claim was recorded on his insurance record as being a fault claim, which then increased his premium elsewhere. So, Mr P complained but unfortunately esure didn't respond. So, Mr P brought his complaint to us. We asked esure for its file, but it didn't respond to that either. It did however send a complaint response letter to Mr P but gave no referral rights to this Service.

Esure said in this letter that it was satisfied it cancelled his policy correctly and that it had explained why previously to Mr P. It agreed its service to Mr P was poor, so it decided to pay him £150 compensation.

The investigator thought it was reasonable for esure to validate his claim given it went on fire from an unknown cause. Also, since no one else was involved in the fire therefore it would be right to record it as a fault claim on Mr P's insurance record as esure would have no other party from which to claim its costs. He thought esure didn't cancel Mr P's policy fairly as it didn't adequately explain all the payment issues Mr P encountered as detailed above, so it should pay him £500 compensation and pay Mr P the difference of premium of what he would have been paying esure than what he was then paying to his new provider, from the date Mr P bought his new policy from another provider, with interest.

Mr P accepted this. Esure finally sent in its file to us and disagreed. It said Mr P had breached his credit agreement, although it appeared to acknowledge his direct debit payments had been skewed by Mr P needing to insure his new van, given the car originally insured was a total loss. But it didn't provide any further information clarifying that. So, the investigator issued a further view. He now considered the cancellation of the policy was fair and that therefore Mr P should not receive the compensation or the refund of the extra premium he had paid.

Mr P didn't agree. He explained that at no time did esure explain things to him especially with the attempted direct debit payment of £109.27 in August, with the credit it gave him and then attempting to collect the £2.96 all within a few days of each other. He also explained that when he rang up to add his van on, it cancelled his policy, instead of giving him a quote which caused confusion. Plus, he had the credit agreement for his new van and had paid the right premium instalments at the right date. And then when it cancelled his policy, it made him pay the whole year's premium in order to get the payment for the total loss of his car, so he was effectively paying two lots of motor premiums for the same amount of time given he had been insured elsewhere. And it seemed it calculated the premium payable for that on his van policy not his car policy as it set up a new policy for his van in its confusion over providing a quote for it.

On this basis Mr P's complaint was passed to me to decide.

I issued a provisional decision on 2 August, and I said the following:

'Having done so, I'm intending to uphold this complaint. I'll now explain why.'

On assessing the evidence, once esure finally provided its file to us, I found there were several issues which were indeed very confusing as to what happened as regards Mr P's payments during August 2023, and esure's requests for varying payments and indeed paying him a credit before it decided he had breached his credit agreement thereby allowing it to cancel its policy. So, I asked esure a series of questions. From its responses it now transpires that:

- Mr P's car was deemed unrepairable from the damage caused in the fire by 27 July 2023. Therefore, from this stage esure simply needed to deal with the market valuation of the car and pay the same to Mr P or his finance company less the excess. However, this didn't happen until 28 November 2023. Esure said this delay was due in part to some indemnity issues concerning modifications which I understand from Mr P however was in fact underwritten at the time his policy started. So, I don't consider this delay was reasonably incurred as there is no evidence of any dispute over the market value of Mr P's car nor indeed the amount that was due to be paid to his finance company.*
- Esure said it also couldn't pay the market value to his finance company until the remaining premium for the policy year (which started in June 2023) was paid. However, it was esure who cancelled Mr P's policy in September 2023 for non-payment of premium despite the fact Mr P paid two instalments of the credit agreement he had received once his van was coherently added to the policy. I consider Mr P reasonably attempted to add his new vehicle, a van, to the policy in August 2023 but sadly due to the confusion that then arose created by esure and its subsequent failure to understand this confusion itself, led to the policy being cancelled erroneously. Therefore, as Mr P wished to continue this policy for the remaining part of the policy year, he would have properly paid his annual premium by*

the end of it and there was no necessity for him to make any payment of £300 odd in October or November 2023.

- *Esure confirmed that on 2 August 2023 Mr P wanted to add a van onto his policy given his car originally insured was a total loss. It also confirmed that its adviser made a serious error in dealing with this. First, it's clear Mr P rang up to get a quote for insuring the van but instead of manually calculating this and telling Mr P the figure of this amended direct debit monthly premium amount, the adviser erroneously put the van on cover to get that figure. It appears that generated a reduction in the premium payable of £447.44. This then needed to be reversed the next day which somehow ended up with a repayment of the admin fee to Mr P of £26 which then got confused with a premium write off amount of £26.82. There is no explanation why the premium write off figure was even generated though. And esure paid Mr P £20 compensation. Esure's then present clarity of what happened was never appropriately explained to Mr P at the time and hasn't yet been fully explained to us either.*
- *Also, when the addition of the van on the policy was reversed the following day as in 3 August 2023, Mr P's premium was increased by £474.26 which was the reversal of the premium reduction the day before plus the £26 admin fee.*
- *Mr P then started again and added his van onto the policy on 5 August and made some other changes. Plus, later then decided to add on breakdown cover. This then reduced Mr P's premium to £584 plus £63.87 for the breakdown cover so the total is £647.87. So, there was no new policy issued on 5 August as Mr P originally believed, there was merely a change of vehicle being insured. Mr P remains satisfied he then paid two instalments of that credit agreement in both August and September 2023. Things were confusing for Mr P because his policy lapsed in June 2023 which meant he had to take out a new one.*
- *Therefore, esure decided there was an outstanding balance due which it believes Mr P didn't pay in the premium instalment in August and September which caused his policy to cancel on 19 September 2023.*
- *However, this meant according to esure, that Mr P hadn't paid the entire premium for the year now due because he was making a claim for the total loss of his car. So esure made him pay the premium remainder of £363.95 in October so it could release the total loss payment to Mr P's finance company.*

It appears to me that there is a lack of clarity from esure of what Mr P was supposed to pay per month once his van was properly added on the policy. Looking at the schedules and credit agreements now produced, I've found the following:

- *Mr P asked for his car to be insured in June 2023. The cert was issued on 2 June 2023 saying his policy was valid from 6 June 2023 to 6 June 2024. It detailed what I presume is Mr P's personal number plate as the registration number of his car. His monthly premium instalments were set at £106.27 per month. Mr P's car was deemed a total loss due to the fire from 27 July 2023. So obviously was no longer insurable.*
- *When Mr P asked for a quote for his van on 2 or 3 August 2023 and esure's adviser erroneously added the van to his policy to find out the premium figure, instead of manually generating it, as agreed now by esure. This generated a cert issued on 3 August 2023 saying that cover was valid from 4 August 2023 to 6 June 2024. However, it detailed a registration number that I don't recognize as being either Mr P's van or his car. It could be that that registration number was the non-personal number plate of his car. But that's not clear. The schedule for this cert showed the*

changes amounted to £725.76 premium being now payable. That in turn produced a modification of the credit agreement saying his monthly premium instalment would now be £109.18. There is another modification to the credit agreement generated by some further change on 4 August 2023 which I can't find the rest of the documentation for (as in the schedule) which says the revised amount payable is then £504.45 with monthly premium instalments of £56.48. There is no note of which vehicle registration number this was for either.

- However, that was all superseded by esure's correction of its mistake made on 3 August 2023 as adding that vehicle on to his policy was reversed and Mr P received a refund of his admin charge of £26 which also seemed to generate some sort of premium write off amount of £26.82 but it's completely unclear what this premium write off was for. And esure paid Mr P £20 compensation for this confusion.
- Mr P then asked for his van to be insured from 5 August 2023 and the cert issued on 5 August 2023, shows the correct registration number for his van. The schedule shows the premium is now £663.30. And the modification of the credit agreement shows that Mr P had to pay £39.24 per month. This was always the amount Mr P was clear about that he had to pay going forwards.
- However, esure has also produced a schedule for this change on 5 August 2023 showing the premium was recalculated at £586.95. With a modification of credit agreement stating Mr P had to pay £32.15 per month. I assume this was issued before Mr P phoned back that afternoon to add in breakdown cover to his policy for the van. Therefore, I consider the higher figure of the premium being £663.30 is more likely correct with the monthly instalments of £39.24 as being the correct premium instalment Mr P should have been paying for the remainder of his policy year.
- However, then Mr P received a letter from esure dated 30 August 2023 saying he hadn't paid his premium instalment of £106.31. This was for the original premium instalment Mr P was due to pay for his July instalment before any policy changes took place in August. And this clearly shows as being paid on 15 July 2023.
- From esure's payment schedule it shows payments being made by card when Mr P set the policy up in June 2023. It doesn't show the amounts paid then, however. Then it shows a rejected payment of £106.27 on 3 July 2023 and again on 8 July. But then a payment of £106.27 is shown as being successfully taken on 15 July 2023.
- However, the payment schedule then shows esure asked Mr P to pay £109.27 (the erroneous 3 August 2023 changes) on 3 August 2023 which was rejected. Plus, it asked for his payment of £39.39 (which should have been £39.34) on 5 August 2023 which was paid. It is to be noted that the payment schedule never asked for any premium instalment of £56.48 which was also erroneously issued on 4 August. I have a feeling this particular modification of the credit agreement might not pertain to Mr P at all but some other policyholder.
- However, esure then asked for the erroneous 3 August payment again of £109.27 on 10 August which was rejected. Mr P was under no duty to pay any instalment of £109.27 as that was all concerning the erroneous mid-term changes of 3 August. Essentially his instalment payments under this policy were £106.31 up until 5 August 2023 and then £39.34 from 5 August 2023.
- And the schedule shows another payment of £39.39 was rejected on 6 September 2023. This is because Mr P had understandably got extremely confused by now and asked esure for clarification. Which sadly esure failed to provide at all to him and which is now the cause of this complaint.
- Esure still appears not to know it was erroneously asking for a £109.27 premium instalment when it shouldn't have been. The payment required at that time was

£39.34 as the premium instalment, which Mr P should have been paying. He had to pay £106.31 up until 5 August 2023 and then £39.34 thereafter. It was that non-payment by Mr P of £109.27 (quite rightly too as he never needed to pay this amount at all given the later events of 5 August 2023) which decided esure to wrongly cancel Mr P's policy in September 2023.

And therein lies the nub of this complaint in my view. Esure however continued and continues to believe Mr P owed it £109.27 and cancelled his policy for non-payment of that amount. It never explained the matter to Mr P despite his numerous requests or indeed to us.

I consider this level of service to Mr P was exceptionally poor. The lack of any ability to follow through carefully, as I have done, as to what modifications to Mr P's credit agreement was generated by which mid-term adjustment is staggering. That ensured esure just resolutely demanded the wrong premium instalment and ultimately used the non-payment of that to cancel Mr P's policy completely without due reason. It was exceptionally unfair and unreasonable esure never answered Mr P's queries adequately when he raised them in September 2023 as to the outstanding premium issues and instead resolutely pressed on saying Mr P owed a premium instalment which had been superseded by further mid-term adjustments, solely occasioned by the mistakes made by esure's adviser on 3 August 2023. This culminated in a policy wrongfully cancelled causing Mr P to have a cancellation marker on his insurance record which further increased his premium amounts elsewhere. And causing him excessive distress and upset too.

Mr P was also complaining about how the validation process of his claim for his car destroyed by fire was progressing too at this time. I do consider like the investigator that because no other driver or anything else caused his car to go on fire then it's correct the payment of this claim is classed as a fault claim on Mr P's insurance record. I can see no valid reason why the payment of his claim took from 27 July to October, more so since it was paid to Mr P's finance company. Once the claim was validated the market value should have been capable of being sorted out within a week or two at most. However, the gross lack of service Mr P received over trying to first find out the price of the premium for his van and then be asked for the correct premium instalments to be paid appears to have sullied this too.

Therefore, I consider that esure should now remove all records from both internal and external databases of the cancellation of this policy. It should also refund the payment it asked Mr P to pay in October of £363.95 to release the market value payment of his car as Mr P wouldn't have had to pay that had esure not wrongly cancelled his policy. Interest to this sum needs to be added.

Mr P obviously had to buy another policy elsewhere to insure his van of which the premium was rated for both a fault claim and a policy cancellation event. Therefore, esure should pay Mr P the difference in premium that he had to pay from September 2023 to the expiry date of his original policy in June 2024 adding interest as appropriate, but only for any premium increase caused by the cancellation marker not the fault claim now on Mr P's record. It must also pay the difference he has paid since June 2024 given the wrongful cancellation of his policy until the relevant databases are noted as being correct so Mr P's present insurer can adjust his premium going forward.

Esure caused Mr P exceptional distress and upset in my view, more so given it wouldn't answer his queries. And that it failed to provide this service with its file when asked to which caused more delay and confusion with Mr P having his complaint upheld and then not upheld and finally now upheld again. All of this was within esure's capabilities to sort out as early as September 2023, had it actually bothered to examine its own documentation. This is completely contrary to esure's obligations under the Consumer Duty too.

Consequently, I consider esure should also pay Mr P the sum of £600 compensation for this prolonged and incessant refusal to get the issues caused by the mistake of its adviser clarified and corrected swiftly. And also corrected competently, so that it didn't ask Mr P to pay the wrong amount for the premium instalment and subsequently cancelled its policy because it wouldn't explain to Mr P why it was asking for the wrong premium instalment. Mr P's distress and upset has been ongoing since September 2023 which also caused him financial hardship too, therefore in line with our approach to compensation as published on our website, I consider the amount of £600 compensation to be fair and reasonable here.' Mr P initially accepted my provisional decision.

He later raised the issue that he didn't think his car should have been written off as he felt it could have been repaired for a lower cost than paying out the market value. He produced a snippet of a call recording with esure's engineer who said it shouldn't be a total loss. Further his costs of upgraded alloy wheels and the vinyl wrap weren't considered in the market value. He said he still owes his finance company £9,000 given the difference in loan he obtained for his car and the market value paid to his finance company by esure. He also felt that because his car was written off, he had a fault claim against his insurance record which increased his premium. Plus, he incurred the loss of replacing his car with his van. He was unsure whether this could now be dealt with in this decision.

Esure didn't agree with my provisional decision.

It said the premium instalment due in August 2023 of £109.27 was in relation to Mr P asking for the original car (then deemed a total loss) to go back on cover on 4 August which raised an additional premium of £474.26. So, when that was applied and spread over the direct debit instalments Mr P then owed £109.27 as the August premium instalment. It said it covered his original car at his request, so Mr P was obliged to pay it.

It also said the premium instalment payment date was the 5th of each month. So, he was due to pay his first premium instalment in July [presumably 5 July]. This was rejected and again rejected on 8 July 2023. It was finally collected on 15 July.

And there were multiple changes in August which changed the instalment amounts all within days of the collection date [presumably 5 August]. So, when Mr P asked to change from his van back to his car on 4 August this reversal caused an additional £474.26 in additional premium which then generated the instalment of £109.27 and the payment date for that range of premium instalments was the 6th of the month, so Mr P was due to pay £109.27 on 6 August. It then went on to say Mr P didn't pay the £106.21 on 5 August either.

So, he failed to pay instalments for July, August, and September. It said he had to pay £106.21 on 5 July (which wasn't collected until 15 July), and he failed to pay £109.27 on 5 August and on 5 September although it didn't clarify which amount it thought was due on 5 September.

So, I issued a second provisional decision on 9 September, and I said the following:

'Having done so again, I am intending on upholding this complaint but for slightly different reasoning than my first provisional decision in the light of yet further clarification from esure which wasn't available until now.'

First, as regards Mr P's further comments on whether his car should have been written off and indeed the amount of the market value paid to his finance company by esure, this can't be addressed in this complaint because this is the first time Mr P has said he was unhappy with this. So, he first must bring these issues to esure as a new

complaint. And if he remains dissatisfied after it has responded on the matter then he could bring that matter back to us separately.

Had esure addressed Mr P's complaint fully at the time he complained in September 2023 to include assessing his complaint fully and issuing a clear final response letter and indeed forwarding its file to the investigator when first asked, the clarity surrounding what happened here would have been much clearer much earlier.

So, to be clear if esure's adviser on 2 or 3 August had provided a quote for Mr P's van as he requested instead of putting his van on cover and taking his car off cover, very little of the ensuing confusion would have arisen. Mr P therefore asked for this erroneous change to be reversed which then caused the premium instalment of £109.27. This was the fault of esure's adviser which esure has previously acknowledged. So, it's not correct of esure to say Mr P switched things back of his own accord, he only switched them back because esure's adviser made a significant error.

Further at that time esure never made it clear to Mr P that due to the timing of the instalment date issue he actually had to pay two instalments for August either. The adviser made a mistake of not giving the quote for his van as Mr P requested on 2 or 3 August 2023, and indeed added his van to the policy. When this was reversed, which it had to be, this unfairly generated a premium due for his car of £109.27 instead of the original £106.21 obviously due to the passage of time from June when his car was first rated to August when it had to be rated again given the adviser's error. I don't consider this is fair here to charge Mr P a further £3 odd per month given the adviser's error, so I consider it's more reasonable that we work off a figure of £106.21 as the relevant instalment for Mr P's car which was written off by esure by 27 July 2023 from the fire.

However, the scheduled payment date for this policy on Mr P's car alone was 6 August. He subsequently took the car off and substituted his van on 5 August which gave rise to a monthly payment of £39.34 (after he added in the breakdown cover) also on 6 August. So actually, Mr P owed £106.21 on 6 August for his car plus £39.34 for his van. Esure singularly failed to explain this to Mr P at the time, which did indeed cause him unnecessary confusion hence he refused to allow anything to be paid to esure until it clarified the matter for him which it hasn't really done until now. I believe the premium for the van to be added or rather substituted on the policy was taking into account that the new premium of £109.27 would also be taken which of course it wasn't. And I consider that amount should have in fact been £106.21 since the £109.27 only happened due to the adviser's mistake. Therefore, the amount outstanding was £106.21 which was never paid.

But as esure never explained this to Mr P and never explained it either when he complained, I consider it remains the policy was wrongfully cancelled. Plus, the fault claim, given the total loss of his car, wouldn't have been rated until the expiry of his policy with esure which would have been June 2024 Mr P's premium with his new insurer from September 2023 was wrongly penalised for this too. Furthermore, had the policy not been cancelled Mr P would have never had to pay £363.95 in October to release the market value payment of his car to the finance company. He was also of course insured with his new insurer at that time so was effectively paying twice for the same period.'

Mr P agreed with my second provisional decision and understood he had to make a separate complaint to esure directly if he wanted to dispute that his car was written off.

Whilst esure didn't say whether it agreed with my second provisional decision it said it wanted clarification on parts of my outcome. It explained it never recorded any cancellation issues on any external databases. Therefore, it's not clear Mr P's subsequent insurer rated or increased the premium for this. However, if the subsequent insurer did then it would consider including it in its refund.

It said it needed Mr P to obtain something from his subsequent insurer showing how much of an additional premium they charged him from September to 6 June 2024 for the fault claim and the cancellation. It also wanted to see a copy of his credit agreement and bank statement showing the dates each instalment was due and paid so it could calculate the 8% interest in each instalment.

It didn't have anything to suggest that Mr P's insurer since 6 June 2024 has charged him a higher premium due to its decision to cancel his policy. So could Mr P please provide evidence of this so it can refund him if necessary. Again, it would need the credit agreement and bank statements showing the payments made to calculate the interest appropriately. It stated that if I could include this in the final decision it should remove any ambiguity or poor communication. It felt this was very important given that its own poor communication was a driving factor in 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.

Having done so yet again, and in the light of Mr P's agreement and esure's appreciated detail on what it required to effect the proposed resolution of this complaint. I see no reasoning to change the reasoning I've come to.

I consider it sensible if Mr P obtains the information requested from his subsequent insurer to clarify if any premium increase was as a result of the cancellation by esure of his policy in September 2023 and if any premium increase was also a result of the fault claim on his policy. This is for the policy he had up to 6 June 2024. Most insurers require its new applicants to disclose if a previous policy has been cancelled and those applicants are duty bound to answer this sort of question truthfully and honestly too.

Then he should ask his present insurer if there is any premium increase as a result of the cancellation of esure's policy September 2023, only. This is because his fault claim should have only been rated from 6 June 2024 by any motor insurer.

And although Mr P has now indicated he disputes his car should have been written off, it remains presently that he does have a properly incurred fault claim on his insurance record. Indeed, if Mr P's car had been repaired instead, the issue of the fault claim would remain in any event. As esure wouldn't have another entity from which to claim back the repair costs just as it didn't have another entity from which to claim back the market value of his car either.

My final decision

So, for these additional reasons it's my final decision that I uphold this complaint.

I now require esure Insurance limited to do the following:

- Remove the cancellation record from all internal and external databases.
- Refund Mr P the sum of £363.95 it asked him to pay in October 2023 to release his market value payment less the £106.21 he should have paid in August 2023. Adding interest of 8% simple per year from the date Mr P paid this sum to the date it refunds him.
- Refund Mr P any extra premium increase he had to pay for the cancellation and the fault claim to his subsequent insurer from September 2023 to 6 June 2024 the expiry date of his original esure policy, once Mr P has obtained the relevant details from his insurer and provided the relevant proof of payment of premium. Interest of 8% simple per year should be added from the date Mr P paid his new insurer each premium instalment, to the date it refunds him.
- Refund Mr P any extra premium he may now still be paying for the cancellation marker to his subsequent insurer since 6 June 2024, once Mr P has obtained the relevant details from his insurer and provided the relevant proof of payment of premium. Interest should be added from the date Mr P paid any premium instalment to the date it refunds him.
- If income tax is to be deducted from the interest, appropriate documentation should be provided to Mr P for HMRC purposes.
- Pay Mr P the sum of £600 compensation for the distress and upset it caused him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 14 October 2024.

Rona Doyle
Ombudsman