

The complaint

Mrs C's complained that Aviva Life & Pensions UK Limited cancelled her policy without notifying her. And they took a direct debit payment of £72.75 without explanation.

What happened

Mrs C bought a life and critical illness policy from Aviva in 2004. Her monthly premium was £19.83. In 2023, she contacted Aviva to enquire about extending the term. Aviva confirmed Mrs C could do this, but her premium would increase by £8.82 to £28.65 per month. They sent Mrs C the relevant forms to complete.

Mrs C says she forgot to return the signed documents until she chased Aviva to find out what was happening. Changes to the policy were made in July 2023. But Aviva continued to collect £19.83 each month rather than the increased premium.

Mrs C heard nothing further from Aviva until November 2023, when they wrote to her to let her know the policy had been cancelled. Mrs C called Aviva to get the policy reinstated. During this process, Aviva collected a direct debit payment of £72.75.

Mrs C complained about what had happened and about what she referred to as the "random" payment of £72.75. In their final response, Aviva said there had been an issue with their computer systems and this had led to the policy being cancelled by mistake. They said the premiums Mrs C had paid had been held in their suspense account during this period. And they explained the £72.75 equated to three monthly premiums (£28.65 each), less £13.20 they had on their suspense account when the policy was reinstated. Aviva paid Mrs C £50 compensation for the mistakes that had been made.

Mrs C wasn't satisfied with Aviva's response and brought her complaint to the Financial Ombudsman Service. When the complaint was passed to our investigator, she contacted Aviva to ask for what she needed to investigate. Aviva responded by offering a further £50, to make the total compensation in the complaint £100.

The investigator thought this was a reasonable amount to resolve the complaint, but Mrs C didn't accept it – so our investigator investigated fully. She concluded Aviva didn't need to do any more to resolve the complaint because, while Mrs C had paid premiums throughout the period, she hadn't done so at the right level – and the payment of £72.75 corrected this. And she thought the £100 compensation was reasonable to reflect what had gone wrong.

Mrs C didn't agree with the investigator's view. So the complaint's been passed to me to make a final 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.

Having done that, I'm upholding Mrs C's complaint. But I'm not asking Aviva to do more than they've already offered to resolve it. I'll explain why.

I understand why Mrs C's complained. Aviva have admitted something went wrong here. So my focus is on the impact that had on Mrs C – and what Aviva needs to do to put that right.

We accept that things do go wrong from time to time. That unfortunately happened here. But that doesn't necessarily mean we'd expect a business to pay compensation. Rather, we'd look at whether what happened caused a customer a level of distress and inconvenience which should be recognised by paying compensation.

From what I've seen, I'm satisfied the impact on Mrs C existed only for a very short period of time. I say this because Mrs C only became aware of a problem when Aviva wrote to her cancelling her policy. The cancellation was clearly a mistake. But the policy was reinstated as soon as Mrs C contacted Aviva to ask for reinstatement.

If that were all that had happened, I wouldn't have said Aviva should pay Mrs C any compensation. But there were other issues around collection of outstanding premiums. I do think Aviva's handling of that aspect of the matter fell short. And this hasn't been helped by the lack of a clear explanation from Aviva about why they collected £72.75 in November 2023.

Aviva told Mrs C they'd collected this amount because they needed to collect three monthly premiums of £28.65 – a total of £85.95. But they'd deducted from that amount £13.20 which they were holding in the suspense account. They later said that the £72.75 was made up as follows:

$5 \times £8.82$ (the difference between the old and new premiums) = £44.10 + £28.65 premium for November 2023.

Aviva have since confirmed they hold nothing on their suspense account.

It's not clear why Aviva gave two separate explanations for what had happened. The first explanation doesn't take into account that Mrs C had continued to pay her monthly premiums – albeit not at the right level. Nor does it explain why £13.20 would have been retained on the suspense account.

The second one does take account of everything Mrs C paid and brought the policy payments up to date. So I'm satisfied that's what's most likely to have happened.

I appreciate the first explanation left Mrs C believing there was £13.20 of her money remaining on the suspense account but, for the reasons I've set out, I'm not persuaded that's the case. I think the confusion Aviva has caused merits them paying the additional £50 compensation they offered on top of the £50 they've paid. But I don't think they need to do any more than that to resolve Mrs C's complaint.

My final decision

For the reasons I've explained, I'm upholding Mrs C's complaint and directing Aviva Life & Pensions UK Limited to pay her £50 compensation, in addition to the £50 they've already paid her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 28 October 2024.

Helen Stacey
Ombudsman