

The complaint

Miss G complains that U K Insurance Limited unfairly cancelled her van insurance policy.

What happened

Miss G had a van that she used for her business. She had it insured with UKI. Miss G agreed to pay the premium by instalments on direct debit ("DD") from her bank account.

Miss G and UKI renewed the policy for the year from 1 May 2024.

After issues with the DD, UKI cancelled the policy with effect from 26 June 2024.

Miss G complained to UKI that it had cancelled the policy unfairly.

By a final response dated 3 July 2024, UKI turned down the complaint.

Miss G brought her complaint to us a few days later.

Our investigator recommended that the complaint should be upheld. She thought that the policy was fully up to date, so cancelling for a lack of DD mandate was not fair or reasonable. More should have been done, and an additional reminder should have been sent, she said.

The investigator recommended that UKI should:

1. remove any record of cancellation from internal and any external databases; and
2. if her new policy was rated with a cancellation marker, this should be re-rated without it and a refund of premiums should be given, plus 8% simple interest on this amount; and
3. pay £150.00 compensation for the inconvenience caused.

Miss G agreed with the investigator's opinion.

UKI disagreed with the investigator's opinion. It asked for an ombudsman to review the complaint. It says the following:

"Thank you for your email. Please send this forward for a final decision. I disagree with your stance to ignore documents issued to our customer.

At the point of sale, we set out the process we would follow should the payment not be made and this is set out in the policy document.

Documents were issued on 11 June 2024, 12 June 2024 and 14 days was provided for our customer to call and resolve this matter which I feel is sufficient time. Both

texts and emails were issued to our customer. Our correspondence asked our customer to call us and resolve this. Correspondence did not simply set out cover would be cancelling and nothing can be done for this.

Please note, our customer has never been on an internal or external cancellation register. The only time our customer would be added to a cancellation register would be if cancellation is invoked for alternative reasons such as avoidance. This is not the case. The process followed has also not impacted our customers credit rating or score.”

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.

From what Miss G has said and from UKI's records, I find that the DD went through on about 7 March 2024. After that, there were problems with the DD.

From the renewal letter, I've seen that the cost was going to be about £550.00 for the year from May 2024.

On about 15 May 2024, Miss G paid UKI £46.65.

On 11 June 2024, UKI sent a text and an email to Miss G. The text asked her to contact UKI *“to avoid any impact to your cover”*. The email included the following:

*“We need to receive the amount of £46.72? in the next 14 days. If we don't, we'll cancel your insurance policy 14 days from now. You'll still be liable to pay the outstanding amount due under the credit agreement for the premium for the period you've been insured.
If you'd like to pay by card, please call us and we can sort this out for you.
Or, if you'd like to continue paying for your policy by Direct Debit, please call us.”*

On 11 June 2024, Miss G rang UKI and paid £46.72 over the phone. UKI hasn't provided any recording of that call. So I have no reason to doubt Miss G's recollection that UKI told her that the DD was in place.

I accept that Miss G's bank sent UKI a notification that her account was closed.

On 12 June 2024, UKI sent Miss G a text and an email. The email included the following:

“If we don't receive your payment or Direct Debit instruction, we'll cancel your insurance policy 14 days from now”

So UKI didn't acknowledge that it had received £46.72 the previous day. And it had no right to ask for a further payment within 14 days. I consider that – by making the payment on 11 June, Miss G had complied with the email dated 11 June and with one of the alternatives UKI gave in the email of 12 June.

Miss G didn't contact UKI. She has said she was on holiday.

On 27 June 2024, UKI confirmed the cancellation to Miss G. It said that she owed a balance of about £43.00 including a cancellation fee. As I would expect the cancellation fee to be about £40.00, the balance is in line with my finding that Miss G hadn't been due to make a further payment of £46.72 within 14 days after 12 June.

In view of the payment on 11 June and the wording of the email dated 12 June, I consider that the cancellation was unfair.

Miss G didn't complain about the cancellation fee. And UKI's file indicates that it wrote off the balance.

With effect from 27 June 2024, Miss G took out a replacement policy with UKI. From its file, I've seen that the cost for the year was going to be about £550.00.

The investigator didn't recommend that UKI should compensate Miss G for the deposit she paid for the replacement policy - and Miss G accepted the investigator's opinion.

I accept UKI's statement that it didn't put Miss G on a cancellation register. So I don't find it fair and reasonable to direct UKI to remove any record of cancellation from internal and external databases.

As the yearly cost remained at about £550.00, I don't consider that UKI charged a higher premium because of the cancellation. So I don't find it fair and reasonable to direct UKI to adjust the premium or to make a partial refund (with interest).

For these reasons, I don't find it fair and reasonable to direct UKI to compensate Miss G for any financial loss.

Putting things right

Nevertheless, I consider that the unfair cancellation caused Miss G indignation and the inconvenience of having to arrange a new policy at short notice. UKI's final response was prompt but it didn't acknowledge the unfairness or inconvenience. So overall, I find it fair and reasonable to direct UKI to pay Miss G £150.00 for distress and inconvenience.

My final decision

For the reasons I've explained, my final decision is that I uphold this complaint in part. I direct U K Insurance Limited to pay Miss G £150.00 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 18 December 2024.

Christopher Gilbert
Ombudsman