

The complaint

Mr K complains that Advantage Insurance Company Limited renewed his motor insurance policy when he asked for it to be cancelled. He wants a refund of any charges and £300 compensation for his phone calls and trouble and inconvenience.

What happened

Mr K's policy with Advantage was due for automatic renewal. But Mr K no longer required the policy as he was abroad, and he said he sent Advantage an email to cancel the automatic renewal. But Mr K said he noticed a deduction from his account, and he was sent a welcome pack for the new policy year. Mr K said he then cancelled the renewal by email, but Advantage wouldn't give him a full refund. Advantage said it had followed its procedure correctly.

Our Investigator didn't recommend that the complaint should be upheld. Mr K's previous year's policy had been set for automatic renewal which she thought Mr K could cancel at any time on his online account or by phoning Advantage. But Mr K hadn't done this and so she didn't see evidence that he had cancelled the renewal.

She saw that Advantage sent Mr K a renewal notice telling him how to cancel the renewal. Mr K emailed Advantage to cancel the policy, but she thought it reasonably needed to speak to him on the phone to pass security checks. Mr K didn't do this before the policy renewed. When Mr K did call Advantage, the policy was cancelled and she thought Advantage refunded Mr K fully except for a charge for his time on cover, in keeping with the policy's terms and conditions.

Mr K replied that he thought he should be allowed to cancel in writing. He thought Advantage had acted unfairly. And he questioned the date of the policy's renewal.

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 can understand that Mr K feels frustrated that his policy was renewed when he didn't need this. He's explained that he was abroad, and his car was declared SORN and untaxed. He said the renewal affected his financial plans, and I was sorry to hear this.

Mr K also said he was unhappy that the renewal premium was almost double what he'd paid the previous year. But I can't see that he's complained to Advantage about this to give it a chance to respond. So I can't consider that concern here.

So I've looked at Mr K's complaint about the automatic renewal of his policy, and whether Advantage acted in keeping with the policy's terms and conditions and fairly and reasonably. Our approach is that automatic renewal is good practice as it prevents consumers from unknowingly driving whilst uninsured if they forget to renew. But consumers should also have the right to opt out if they so choose.

Advantage said Mr K's policy was set for automatic renewal. And it explained on page 78 of the policy booklet:

"We automatically renew most policies. This means that, unless you tell us otherwise, your new insurance cover will start on your renewal date. If we intend to automatically renew the policy we will tell you this in your renewal notice. If you don't want your policy to renew automatically, you can opt out by changing your settings in My Account (up until we have sent your renewal notice) or by calling our customer services team at any time before your renewal date."

I can't see evidence that Mr K contacted Advantage or changed his setting online to cancel the automatic renewal before he received his renewal notice. I can see that Advantage sent Mr K his renewal notice a month before the policy was due to lapse. This explained:

"Your policy is currently set to automatically renew so your new insurance cover will automatically start on your renewal date... You can opt out of the automatic renewal process at any time. Simply change your preferences in the app or MyAccount or give us a call."

Mr K emailed Advantage two days before the renewal to cancel the automatic renewal. But this method isn't generally acceptable in the insurance industry as the insurer needs to check that the request is valid. And so it needed Mr K to either opt out on his online account or give it a call so it could ask him security questions to validate the request. I think that was fair and reasonable.

But Mr K didn't call Advantage until four days after the policy started. This was within the policy's 14 day cooling off period and the policy's terms and conditions explain:

"What happens when the policy is cancelled?"

If the policy is cancelled, any fees, such as the arrangement fee, incurred before cancellation are non-refundable, as is the cost of your insurance for the number of days you have been insured."

Advantage didn't charge Mr K any fees, just the charge for his time on cover as it was at risk during this period. And I've seen that it refunded Mr K the majority of his premium after correctly deducting this charge. This is in keeping with the policy's terms and conditions. And so I don't think Advantage needs to pay Mr K any further refund at present.

Mr K thought Advantage had fraudulently taken money from his account. But I think it acted within the continuous payment authority Mr K had agreed. And so I can't say it did anything wrong in this.

Advantage has confirmed that if Mr K can show it proof that the car was SORN during the period he was on cover, and so show that it had no insurable interest, then it may be able to reconsider his request for a refund. It's for Mr K to contact Advantage directly about this.

Mr K said his policy should have renewed a month earlier than it did. And he provided us with the previous year's policy documents showing that it was intended to lapse a month before the date Advantage renewed it.

But I've also seen the policy documents provided by Advantage for the same car and they are dated a full month later than those provided by Mr K, and for a cheaper price. So I've asked Advantage to explain this. And it has provided evidence that the policy taken a month earlier, and another one taken within the same month, were both cancelled on the same day they were taken out. The third policy taken out by Mr M was the one that later auto renewed.

So I think this explains why Mr K has a policy pack dated a month earlier. He cancelled this policy and then took out a new one a month later. I can understand that Mr K may not recall this. But I don't think this changes anything as Mr K didn't act to opt out of the automatic renewal for the third policy.

Mr K said he wanted £300 compensation for his calls and trouble and upset. But I don't think this would be fair or reasonable as I can't see that Advantage has done anything wrong. And so I don't require Advantage to do anything further.

My final decision

For the reasons given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 27 January 2025.

Phillip Berechree
Ombudsman