

The complaint

Mr S and Mrs W complain that U K Insurance Limited ("UKI") cancelled Mrs W's car insurance policy.

What happened

Mrs W held car insurance underwritten by UKI. Mr S was included on the policy as a named driver. In July 2023 they received a letter from UKI saying that the policy had been cancelled because the premium hadn't been paid. Mr S and Mrs W say they called UKI as soon as they received this letter and were prepared to make the payment. But UKI didn't agree to take the payment and reinstate the policy so Mr S and Mrs W made a complaint.

In its final response UKI said it didn't think it had treated Mr S and Mrs W unfairly because they had selected post as their preferred method of contact and that it sent letters to them on 6 June 2023, 20 June 2023 and 4 July 2024 informing them about the payment issue before it wrote to them on 18 July 2023 to say it had cancelled the policy.

Our investigator didn't recommend the complaint be upheld. She said UKI had shown Mr S and Mrs W had selected post as their preferred contact method and because UKI had also shown it sent several letters to Mr S and Mrs W prior to the cancellation telling them what they needed to do, she thought it had provided fair notice before cancelling the policy.

Mr S and Mrs W didn't agree so the complaint was referred to me. I issued a provisional decision upholding the complaint and I said the following:

"I've begun by reviewing the terms and conditions of the policy. These say UKI can cancel the policy if it has a valid reason to do so and will provide at least 7 days' notice.

I haven't seen anything showing it was disputed the premium was unpaid prior to the cancellation. And I think non-payment of the premium could reasonably be regarded by UKI as a valid reason for cancelling the policy. But given the serious impact cancellation of a car insurance policy can have on a customer, we generally say insurers should take reasonable steps to ensure a customer is made aware of the potential for cancellation including using at least two methods of communication to avoid the risk of a notification not being received.

UKI hasn't used the same communication method throughout when contacting Mr S and Mrs W. On some occasions, it's done so by post, and on others through an online portal accompanied by email notification. But UKI said Mr S and Mrs W's contact preference was post, and this is how it would have sent the main documents including the payment reminders and cancellation notice.

UKI says it hasn't made any errors and it communicated with Mr S and Mrs W's in line with their preference. I acknowledge UKI sent a screenshot from its system showing the contact preference was post and that UKI has also provided a screenshot showing some documents which were sent, and the method.

But I don't think this is enough to find UKI did enough to make Mr S and Mrs W aware of the

potential for cancellation.

I say this because from what I've seen, it looks like UKI only used one method of communication when contacting Mr S and Mrs W about the payment issue and when providing notice of the potential for the policy to be cancelled.

UKI's final response appears to acknowledge it only sent the payment chasers by post and suggests it would only have used email had the contact preference been online portal. In the screenshot UKI provided showing documents that were sent, I can see that a document was created on 19 July 2023 and dispatched by post only, which matches the date on the cancellation letter. But the payment reminders dated 6 June 2023, 20 June 2023 and 4 July 2023 appear to be absent from this screenshot.

Given that Mr S and Mrs W contacted UKI relatively quickly after receiving the cancellation notice, I find it more likely than not, had UKI used an additional communication method aside from just post to make them aware of the outstanding payment and potential for cancellation, Mr S and Mrs W would have contacted UKI to pay the premium and would have avoided having their policy cancelled.

Since UKI only used one communication method, when it should have used at least two, and since if it had used an additional communication method I think Mr S and Mrs W would have likely seen it, responded to pay their premium and avoided the cancellation, it follows I find it was unfair for UKI to cancel the policy.

UKI cancelling the policy will have had a serious impact particularly on Mrs W as the policyholder since it may impact her what cover she can get elsewhere in the future. To remedy this, UKI should remove the record of the cancellation from any internal and external databases. It should also provide Mrs W with a letter explaining that the policy was cancelled in error.

I understand Mr S and Mrs W have now taken out cover with another provider, and bearing in mind the potential heightened cost of that due to the unfair policy cancellation, UKI should compare the cost of the new policy with that of her cancelled policy and pay the difference if the cost of the new policy was higher than the cost of UKI's policy.

Mr S and Mrs W will also have been inconvenienced by having to find car insurance elsewhere, which may have been more challenging than usual given the cancellation, and they will have been caused distress at finding out about the cancellation, particularly given the potential ongoing impact in the future this could have caused. I find that compensation is warranted for this and think £150 would be a fair and reasonable amount in line with our award levels."

Mr S and Mrs W didn't respond to my provisional decision.

UKI responded saying it didn't think it had cancelled the policy in error. It said it had communicated with Mr S and Mrs W according to their preference and had set out on the first page of the policy renewal letter the requirement to pay the premium.

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've considered UKI's response to my provisional decision, but I've reached the same conclusions as I did in my provisional decision.

I don't dispute that the policy renewal letter set out the requirement to pay the premium. I've reviewed the renewal letter and I can see this was included. But UKI would still have needed to contact Mr S and Mrs W after the renewal letter if it hadn't received the premium and was thinking about cancelling the policy because of this.

I acknowledge UKI says it communicated with Mr S and Mrs W according to their communication preference. But the key question here is whether UKI did enough to make Mr S and Mrs W aware of the potential for their policy to be cancelled due to their premium being unpaid.

UKI were required under the policy terms to send Mr S and Mrs W notification of its intention to cancel the policy. And I don't dispute that UKI sent this. But we generally say that given the impact to a customer of a policy being cancelled, it's good industry practice for an insurer to use at least two means of communication when informing a customer of the potential for a policy to be cancelled. This is to reduce the risk of such an important notification not being seen by the customer.

I said in my provisional decision that it appeared UKI had only sent the payment reminders and cancellation notification using a single means of communication when it should have used at least two. And I haven't seen anything more since my provisional decision to show otherwise. Because of this, I still don't think that UKI did enough to make Mr S and Mrs W aware of the potential for their policy to be cancelled. And if it had done more, by using more than just one means of communication to warn Mr S and Mrs W their policy would be cancelled if the payment issue wasn't rectified, it's likely Mr S and Mrs W would have paid the premium and avoided their policy being cancelled.

As Mr S and Mrs W haven't provided me anything further to think about, and UKI's comments haven't led me to reach a different conclusion to the one I reached in my provisional decision, I uphold this complaint for the reasons I set out in my provisional decision.

Putting things right

To put things right, I require UKI to do the following:

- Update any internal and external records to remove the record of the cancellation.
- Provide Mrs W a letter explaining that the policy was cancelled in error.
- Compare the cost of the new car insurance policy taken out by Mr S and Mrs W with the cost of the policy UKI cancelled and pay Mr S and Mrs W any amount above the premium for their cancelled policy.
- Pay Mr S and Mrs W £150 compensation for the distress and inconvenience caused by the cancellation.

My final decision

My final decision is that I uphold this complaint and I require U K Insurance Limited to carry out the steps I've set out in the 'Putting things right' section of this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S and Mrs W to accept or reject my decision before 4 December 2024.

Daniel Tinkler
Ombudsman