

The complaint

Mrs M complains about Liverpool Victoria Insurance Company Limited trading as LV= (LV=) cancelling her motor insurance policy.

Any reference to LV= in this decision includes their agents.

When bringing her complaint to this Service, Mrs M was supported by a representative. References to Mrs M include her representative.

What happened

Mrs M had a motor insurance policy with LV=, which she renewed in November 2023 to take effect at the beginning of December 2023. The renewal premium was £775.25. Towards the end of November 2023, while still covered under the old policy, she had a minor accident. She told LV= about the accident and made a claim, which LV= settled.

On 23 December 2023 Mrs M went to spend Christmas with family. On her return on 30 December, she found two identical letters from LV=, both dated 19 December. The letters said her policy would be cancelled with effect from 20 December, with a refund of £701.26 (net of a policy cancellation fee of £40) credited to the card account used by Mrs M to renew the policy. Mrs M was concerned this meant she'd driven over the Christmas period while uninsured but being unaware of the fact.

She phoned LV= at the beginning of January 2024 and was told they'd sent her two letters, dated 30 November and 10 December 2023, telling her that her premium was to increase by £266.23 due to the claim she'd made. However, Mrs M said she didn't receive either letter, believing they hadn't been sent. But LV= maintained their cancellation of the policy, saying they couldn't reinstate her policy as new underwriting criteria meant they no longer offered new policies to customers over 80 years of age.

Unhappy at what had happened, Mrs M complained to LV=.

LV= didn't uphold the complaint. In their final response they said the renewal notice for the policy was issued some 30 days before the renewal date, through Mrs M's chosen communication route of post. The renewal notice was based on the claims history when it was issued. The claim at the end of November had a direct impact on the renewal premium, so LV= sent a claim impact letter by post on 30 November 2023, requesting the additional premium of £266.23. LV= said they sent a chasing letter on 10 December to remind Mrs M that if they didn't receive the additional premium, her policy would be cancelled, asking her to contact them by 17 December. As they didn't hear from Mrs M, LV= cancelled the policy with effect from 20 December, with confirmation in a further letter by post.

LV= also said they couldn't provide a quotation for a new policy (which they would normally do when an existing policy was cancelled) as they updated their underwriting criteria with some age-related criteria for new policy sales, effective from September 2023. This reflected LV='s view of risk factors, including age. While unable to offer her a new policy, they advised Mrs M there might be brokers that could help obtain alternative cover.

Mrs M then complained to this Service. She said she hadn't received the two letters about the increase in her premium and only found the two letters cancelling her policy when she returned home after spending Christmas with family. She thought the burden of proof was with LV= to prove they were sent. She also thought LV= should have anticipated she would unknowingly driving without insurance over the Christmas period, with the associated risks.

The cancellation of her policy meant she was unable to take out a new policy with LV= as their policy was not to accept new business from consumers over 80 years of age. Had she been aware of the increased premium, she would have paid it and would not have knowingly driven while uninsured. She'd had to take out a new policy with a different insurer at a cost of £1,519.56 and had limited options due to her age and recent accident. Her previous premium with LV= was £775.25 so even with the additional premium LV= wanted to charge, the new policy cost her considerably more. She'd also had to pay a £40 cancellation fee for her policy, which she hadn't chosen to cancel.

Our investigator initially upheld the complaint, concluding LV= hadn't acted fairly. LV= had provided screenshots showing the correspondence generated for Mrs M, including the claim impact letter on 30 November 2023, the notice of cancellation letter on 10 December 2023 and the two cancellation notice letters dated 19 December 2023. LV= set out the automated process through which letters were generated and that the likelihood of the letters not being sent (the claim impact and notice of cancellation letters) was negligible. The investigator concluded there wasn't any evidence the letters weren't sent from LV=. As the two later letters confirming the cancellation were created and issued in the same way (and were received by Mrs M) the investigator concluded nothing out of the ordinary occurred with the posting of the first two letters. LV= also followed the policy terms in giving seven days' notice of the cancellation if the additional premium wasn't paid.

While LV= had used Mrs M's preferred method of communication of post, given the implications of a policy cancellation, the investigator thought it would be good practice for insurers to use a second means of communication, such as email or telephone. LV= had a telephone contact number for Mrs M (a landline number) but there was no evidence LV= attempted to contact Mrs M about the additional premium or potential cancellation using an alternative method of communication.

On balance, the investigator concluded Mrs M didn't receive the claim impact or notice of cancellation letters. Had she done so, the investigator thought she would have contacted LV= to make the additional premium payment requested, had LV= used an alternative means of communication. The investigator thought LV= should pay Mrs M the difference in premium she'd paid for her new policy, compared to the increased premium she would have paid had she made the additional payment requested by LV=. LV= should also pay Mrs M £200 compensation for distress and inconvenience.

LV= disagreed with the investigator's view and requested that an Ombudsman review the complaint. They said with the contact details they held for Mrs M (postal address and landline number) they'd taken reasonable steps to make Mrs M aware of the claim impact on premium and the notice of cancellation. They also didn't have a process in place to call a landline number in situations like those of Mrs M, so they used the only other method of contact available (post).

Following LV='s response, a second investigator reconsidered the complaint and issued a revised view in which they also concluded LV= hadn't acted fairly. But they didn't think LV= should refund the difference in premium she'd paid for her new policy. That was because it wasn't known whether the premium for the new policy was reasonable or calling Mrs M on

her landline would have led to a different outcome. To put things right, the investigator thought LV= should pay Mrs M £250 compensation for distress and inconvenience.

LV= maintained their disagreement and request that an Ombudsman review the complaint. They said they'd evidenced they sent notification by post and given reasonable notice. Mrs M only supplied a landline and postal address, and she was away around the time the letters were sent to her. They thought they were being asked to pay compensation for not making (or attempting) a phone call to Mrs M, which wasn't part of their working practice.

Mrs M also disagreed with the second investigator's view and requested an ombudsman review the complaint. She said LV= hadn't evidenced the letters were sent, only they were generated on their system. LV= not attempting to contact her by phone meant she had to take out alternative cover at a significantly higher premium. Cancelling her policy meant having to find alternative cover elsewhere and unknowingly driving for a period over Christmas while uninsured. It was reasonable to suppose she would have paid the additional premium had she been aware.

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.

My role here is to decide whether LV= have acted fairly towards Mrs M.

The key issue in Mrs M's complaint is whether LV= acted fairly and reasonably in cancelling her policy because she hadn't responded to letters they said they sent requesting an additional premium as a result of the claim at the end of November 2023 and subsequent notice of cancellation. Mrs M says she didn't receive the letters and only saw the two letters confirming the cancellation when she returned home after being away over Christmas. Had she received the earlier letters she would have paid the additional premium. Not being aware of the additional premium and subsequent cancellation meant having to take out alternative cover elsewhere at significant cost, as well as unknowingly driving while uninsured.

LV= say they issued the letters in accordance with the policy terms, giving due notice of the additional premium and subsequent cancellation. They used the preferred method of communication specified by Mrs M (post) and didn't have a process to contact her through an alternative means (landline number).

Looking at the sequence of events in this case, the key is the letters LV= say they issued to Mrs M, in particular that dated 30 November 2023 being a claim impact letter requesting payment of the additional premium. What isn't in dispute is that Mrs M made a claim under her policy for the accident, and it occurred before the date (4 December 2023) her policy was due to renew. It's also the case Mrs M renewed her policy (on 11 November) by phoning LV= and paying the premium of £771.25. In the circumstances, I think it reasonable for LV= to calculate an additional premium because of the claim made by Mrs M and to request she paid the additional premium by 7 December 2023 (so, seven days' notice).

Having not heard from Mrs M by 7 December, LV= then issued a second letter, dated 10 December, referring to the previous letter and the additional premium. The letter says if LV= don't hear from Mrs M before 17 December, they will cancel the policy. Again, this gives seven days' notice of cancellation.

Having not heard from Mrs M, LV= then issued two letters, both dated 19 December 2023, confirming the policy had been cancelled, with effect from 20 December 2023. Mrs M says she was away from 23 December to 30 December, spending Christmas with family. It was

only on her return home she saw the two cancellation confirmation letters, after which she phoned LV= on 2 January and 4 January 2024.

Looking at the policy terms, I don't think LV= acted unfairly in requesting an additional premium (Mrs M doesn't dispute this either) or then giving due notice of cancellation – non-payment of premium is one of the reasons the policy provides for cancellation of a policy.

However, the issue here is Mrs M saying her not receiving either of the two first letters, so wasn't aware of the request for an additional premium or the subsequent cancellation notice.

LV= have provided evidence from their systems of the letters being generated, as well as copies of the letters themselves. I don't have reason to doubt this, but the issue here is whether the letters were received by Mrs M – she strongly maintains they weren't. In the absence of any independent proof of the letters being sent and not received, it's impossible to determine what may have happened to them once in the postal system. But as Mrs M received the initial renewal notice and phoned to renew her policy, then challenged the cancellation of her policy on her return home after Christmas, I don't have reason to doubt what she's said. Nor do I think it likely she saw the two confirmation of cancellation letters before she went away, as she would have challenged LV= (as she did on her return).

I've also noted Mrs M's preferred method of communication was by post. That's her choice, of course, and she may not have had an email address or mobile phone to provide LV= (not all consumers will have access to those communication routes). So, LV= were using the preferred method of communication in writing to Mrs M by post.

However, in the specific circumstances of this case, I think LV= should have attempted – or considered attempting – to contact Mrs M using the landline number they had on record for her. I've reached this conclusion because the non-payment of the additional premium and subsequent cancellation of her policy would have – and did have – significant consequences for her. Not only did she have her insurance policy cancelled, which she would have to declare to any future insurers, but under LV='s revised underwriting criteria they weren't able to offer a new policy as she was over 80 years of age. Which in turn meant she had to seek alternative cover elsewhere.

In Mrs M's case, as I think it reasonable to conclude she wasn't aware of the policy cancellation before she went away, so it also meant she was driving without a valid insurance policy in place. Not only would that be an offence under motoring legislation and regulations, meaning she could have been stopped by the police and potentially charged for the offence, but had she been involved in an accident she would not have been covered.

Given these significant potential consequences, I would have expected LV= to attempt to contact Mrs M by an alternative method – in this case the landline number LV= had recorded on their system (and which may have been how she contacted LV= to renew her policy when the initial renewal notice was issued). LV= say they didn't have an email address or mobile number for Mrs M, suggesting that if they had they could have used one or both of these routes to contact her. But as I've said, not all consumers have email addresses or mobile phone numbers, suggesting Mrs M was treated differently – and disadvantaged - for not having these alternative communication routes. Which I don't think fair or reasonable.

LV= also say they don't have a process for contacting policyholders by landline, which may be the case, but I don't think that makes their position fair or reasonable.

I've also considered the requirements of the Financial Conduct Authority (FCA) Consumer Duty. This includes the Consumer Principle – Principle 12 – as one of the FCA's Principles for businesses. It says: *"A firm must act to deliver good outcomes for retail consumers"*. One

of the cross-cutting rules setting out how businesses should act to deliver good outcomes for customers is to *“Avoid causing foreseeable harm to retail customers”*.

Looking at the specific circumstances of this case, I think LV= should reasonably have foreseen the harm to Mrs M from cancellation of her policy, particularly that the changes to their underwriting criteria meant they wouldn't offer her a new policy after cancelling her existing policy. I accept that had they tried to contact Mrs M by calling the landline number, they may not have reached her and so changed the outcome in this case, but that's not a persuasive reason for not attempting to contact her – given the indications they may have tried to contact her by email or text message to a mobile number had they had those alternative contact routes.

Taking all these points into account, I've concluded LV= didn't act fairly and reasonably.

Having reached this conclusion, I've then considered what LV= should do to put things right. As I don't think it's possible to conclude there would have been a different outcome even had LV= tried to contact Mrs M, I don't think it reasonable to ask LV= to reinstate her policy, given that she's taken out a policy elsewhere. And without seeing the details of the other policy, which may differ from those of her policy with LV=, I can't conclude her new policy is unreasonable, as that would be a matter for the new insurer.

However, from the circumstances of the case, and from what she's told us, I think Mrs M suffered distress and inconvenience from what happened. This includes having to arrange alternative cover as well as the knowledge she was, for a brief period, driving unwittingly while uninsured, with the potentially serious consequences I've set out.

Taking these factors into account in the context of the published guidelines from this Service on awards for distress and inconvenience, then I think it fair and reasonable for LV= to pay Mrs M £250 compensation for distress and inconvenience.

My final decision

For the reasons set out above, my final decision is that I uphold Mrs M's complaint. I require Liverpool Victoria Insurance Company trading as LV= to:

- Pay Mrs M £250 compensation for distress and inconvenience.

Liverpool Victoria Insurance Company trading as LV= must pay the compensation within 28 days of the date we tell them Mrs M accepts my final decision. If they pay later than this they must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 7 February 2025.

Paul King
Ombudsman