

The complaint

Ms E complains that Domestic & General Insurance Plc (“D&G”) wouldn’t agree to refund premiums she’d paid for her appliance insurance policy following the replacement of her washing machine.

What happened

Ms E had an appliance insurance policy with D&G which provided cover for her washing machine. In June 2023, Ms E replaced her washing machine with a new one, but D&G says she didn’t make it aware of this until around a year later. D&G cancelled the cover for her old machine but wouldn’t agree to refund the premiums she’d paid since she’d replaced it. So, Ms E made a complaint.

D&G said there was no record of Ms E previously calling to cancel her washing machine plan even though she had monthly direct debits going out of her account. The plan had recently been cancelled as she’d requested.

Ms E remained unhappy and asked our service to consider the matter.

Our investigator thought Ms E’s complaint should be upheld. He acknowledged that the policy’s terms and conditions say that the policyholder should contact D&G if there are any changes it needed to know about, and Ms E hadn’t made D&G aware she had replaced her washing machine until July 2024. But he thought D&G should have refunded the premiums she’d paid from July 2023 onwards as D&G wasn’t on risk for that period. He also recommended D&G add 8% interest from the date of its final response to Ms E’s complaint until the payment was made.

D&G disagreed with our investigator’s outcome. It said it was Ms E’s responsibility to inform D&G in a timely manner when she sold the washing machine. The policy’s terms and conditions made her rights to cancel very clear. Given Ms E didn’t cancel the policy until July 2024, no refund of any premiums already paid were due. It said it also didn’t accept it would be reasonable to apply 8% interest to any refunded premiums as D&G had not acted outside of the terms in this matter. So, the complaint has been passed to me to decide.

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 so, I’ve decided to uphold Ms E’s complaint. I’ll explain why.

The policy’s terms and conditions say:

“Your right to cancel

The ‘cooling off period’ is the fourteen (14) day period from receipt of your documentation or from the policy start date, whichever is later. If you change your mind during the cooling off period, you can cancel your policy and you’ll receive a refund of any premium paid.

After the cooling off period – If you cancel your policy after the cooling off period, your policy will remain in place until the end of the period for which you have already paid and you will not receive any refund.”

Ms E has provided evidence to show that she replaced the insured washing machine with a new one in June 2023. D&G says Ms E didn't make it aware she no longer had the washing machine until July 2024. Based on the evidence available to me, I think D&G is likely to be right about this.

I think it's clear that the policy's terms and conditions don't entitle Ms E to a refund of the premiums she paid for the period between her replacing her washing machine and the policy being cancelled. However, I've also needed to consider what's fair and reasonable as well as D&G's obligations under the Consumer Duty Principle.

The Consumer Duty Principle requires businesses to act to deliver good outcomes for retail customers. They have an obligation to ensure that the price customers pay for a product or service is reasonable compared to the overall benefits.

The cover Ms E had was for a particular brand of washing machine, so she wouldn't have been able to claim for any breakdowns or accidental damage for her new machine. Nor would she have been able to claim for the old machine as it was no longer in her possession. However, she continued to pay premiums each month until the policy was cancelled in July 2024. This means she was paying premiums for cover she could not have benefited from.

Consumers will often take out insurance policies that they don't claim on. But in most cases, they still get the benefit of having a policy because they get peace of mind that they could potentially claim if something went wrong. In Ms E's case she could never have claimed on the policy once she'd replaced her washing machine. Moreover, D&G were no longer 'on risk'. They would never have had to indemnify her for any loss.

I appreciate it was Ms E's responsibility to cancel the cover and the terms of the policy don't entitle her to a refund of premiums. But it doesn't seem fair or reasonable for D&G to benefit from Ms E's mistake. Moreover, I don't think D&G is meeting its obligations under the Consumer Duty Principle by retaining the premiums Ms E paid for the period where she no longer had any benefit from the cover.

Ms E replaced her washing machine in mid-June 2023, so I think D&G should refund the premiums she paid from July 2023 onwards. I also think it would be fair for D&G to add interest at 8% simple per year from the date of its final response to her complaint (19 July 2024) to compensate her for the time she has been deprived of these funds.

Putting things right

D&G should:

- Refund all premiums paid towards the policy from July 2023 until the policy was cancelled and
- Add interest to the above at 8% simple per year* from 19 July 2024 until the date of payment.

*If D&G considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Ms E how much it's taken off. It should also give Ms E a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons I've explained, I uphold Ms E's complaint and direct Domestic & General Insurance Plc to put things right by doing as I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms E to accept or reject my decision before 14 February 2025.

Anne Muscroft

Ombudsman