

The complaint

Mr M complains that Lloyds Bank PLC cancelled a direct debit. As a result a life insurance policy he held lapsed.

What happened

Mr M has a bank account with Lloyds. He also held a mortgage and a linked insurance policy with other firms that are part of the same group as Lloyds.

In November 2020, the term of Mr M's mortgage ended. He went to a Lloyds branch and cancelled the direct debit for the mortgage. But the direct debit for the linked insurance policy was also cancelled, which meant the insurance policy was cancelled.

Mr M complains that Lloyds incorrectly cancelled the direct debit for the insurance policy causing it to lapse.

Subject to any further submissions, I issued a provisional decision proposing to uphold the complaint in part. My provisional findings, which form part of this decision, were:

This complaint is about Lloyds. So I must consider whether it has acted fairly and reasonably in the individual circumstances of the complaint. Where there is a dispute about what happened, I have based my decision on the balance of probabilities – in other words, on what I consider is most likely to have happened in the light of the evidence.

Mr M's position is that he went to his local Lloyds branch when the mortgage ended and asked to cancel the direct debit for the mortgage but he did not ask for the direct debit for the insurance policy to be cancelled. He can't remember any details about his visit to the branch that day, other than the member of staff might not have been someone he'd seen before.

In its final response, Lloyds said that Mr M was required to cancel the insurance policy once the mortgage ended. It has now accepted that was wrong – Mr M could have chosen to keep the policy in place.

Lloyds has provided evidence that both the mortgage and insurance direct debit were cancelled at the same time in one of its branches. The member of staff that cancelled the direct debit can't remember the transaction. That is not unusual as it was some years ago and I would not expect a member of staff to remember every transaction they processed. But we also asked their understanding about whether the policy had to be cancelled when the mortgage ends and if they would ask a customer in Mr M's position any questions.

The member of staff said they would only cancel direct debits as instructed and it is up to the customer to decide what policies they need. That is not in line with Lloyds' policy, which said that it should "explain to the customer they shouldn't cancel the DD unless they have cancelled their policy with their provider otherwise: the insurer may phone or write to the customer to chase any premium arrears; this could result in a gap in the customer's home insurance. It is important that customers cancel their policy directly as cancellation of the DD won't cancel their policy".

Although that policy refers to “home insurance” I assumed that it also applies in the circumstances here bearing in mind what I requested. Even if not, there is clearly some direct read across to any insurance policy. Therefore, the member of staff’s understanding of the process to cancel an insurance direct debit is wrong. It seems more likely than not that they did not follow the correct procedure when they cancelled Mr M’s direct debits.

I do not consider that Lloyds treated Mr M fairly when it cancelled the direct debit for the insurance policy. It went against its own policy by simply cancelling the policy rather than telling Mr M to contact the insurer directly.

I therefore need to decide what is a fair way to put things right. While Lloyds has not shown that it treated Mr M fairly when it cancelled the direct debit, it did send him bank statements, which would have shown that the direct debit for the insurance policy was not being collected and was going to be cancelled. We also have letters that the insurance company sent to Mr M to say that payments weren’t being collected. I am satisfied those letters were sent to the correct address. So, I think there is more that Mr M could have done to prevent the policy lapsing. Therefore, I am not proposing that Lloyds should reinstate the policy.

Mr M can complain to the insurer if he considers the notice of the cancellation of the policy was inadequate.

It is clear though that Mr M has been caused avoidable distress and inconvenience because of what happened. He’s had the worry that he no longer has the insurance policy he’d paid into for many years and the inconvenience of complaining. Lloyds initial response to the complaint was wrong – it said that the policy had to be cancelled. Its initial investigation did not properly look into what happened and it has delayed providing information to us. I note that Lloyds said that my request for information delayed things – but that would not have been necessary if there was an adequate investigation in the first place.

Overall, I consider it would be fair for Lloyds to pay Mr M £250 for the distress and inconvenience caused by cancelling the direct debit without following its own procedure and in the way it has handled the resulting complaint.

Lloyds accepted my provisional conclusions. Mr M did not. He said that he was going to request evidence that he had changed his address with Lloyds.

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 have reviewed everything and see no reason to change the outcome I reached in my provisional decision. I understand that Mr M is seeking evidence that he changed his address with Lloyds before the insurer wrote to him. But even if he were to get such evidence, it would not change the outcome of this complaint. I say that because this complaint is about Lloyds Bank PLC. I have found it is more likely than not that it did not follow the correct process when cancelling the direct debit for the insurance policy.

I said the evidence we had supported that the insurer wrote to Mr M at least twice when the direct debit was cancelled. Therefore Mr M could have done more to prevent the policy lapsing. But if Mr M thinks he did not receive those letters because they were not sent or insurer held the wrong address – or that he was not given enough notice that the policy was going to be cancelled – then that would be a complaint he would need to make to the insurer. While the insurer is part of the same group of companies as Lloyds Bank, it is

separately authorised by the Financial Conduct Authority. Therefore Lloyds bank is not responsible for whether the insurer sent the letters or not.

For the above reasons, I do not think that we need to wait for Mr M to gather new evidence – it would not make any difference to this decision. And I note that he has had since at least May 2024 when the investigator sent his view to obtain any relevant evidence.

My final decision

My final decision is that Lloyds Bank PLC should pay Mr M £250.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 4 February 2025.

Ken Rose
Ombudsman