

The complaint

Miss A complains about Liverpool Victoria Insurance Company Limited's cancellation of her car insurance policy.

What happened

Miss A had a car insurance policy with LV from August 2023. In March and April 2024, LV informed her of missed monthly payments on the finance agreement she took out, to pay the annual policy premium.

In April 2024, Miss A updated her payment card information and she tried to make the outstanding payments manually. She was prevented from making the April 2024 payment.

In April 2024, LV told her it had cancelled her policy due to a missed payment. Miss A complained. She said LV hadn't allowed her to make the payment and incorrectly cancelled her policy. She said new policies she looked for quoted higher premiums than her policy with LV. She wanted LV to set up a new policy and match the price she'd been paying.

LV said it cancelled the policy due to a missed payment but agreed to look into Miss A's concerns about payment not being allowed. It later accepted there was a system bug it was responsible for, and agreed to price match any new policy Miss A took out with it.

LV issued a complaint response in June 2024. It said a system issue prevented Miss A from making the outstanding payment and led to the policy being cancelled. Based on Miss A's comments about the new policy costs at that time, it offered her £125. This consisted of £75 for her financial loss due to the higher cost of the new policy, and £50 compensation.

Miss A referred her complaint to the Financial Ombudsman Service. She said LV's offer meant she'd have to wait for reimbursement. She said she was paying £319.56 more for her new policy, so LV should reimburse her this and pay more compensation for the distress the wrongful cancellation caused. She also said LV delayed issuing its complaint response.

Our Investigator looked into the complaint. They confirmed LV hadn't recorded any cancellation markers externally, and marked it as a mistake internally, so Miss A wouldn't need to disclose it. They said Miss A's complaint about LV's delay in issuing a complaint response was not within our service's jurisdiction. But because they agreed LV's actions caused Miss A loss of expectation, confusion and inconvenience, they asked LV to pay £150 compensation in total, independent of the £75 it had paid for Miss A's financial loss.

Miss A didn't agree. She said LV should pay her £300 compensation, and the full difference in the cost of her new insurance premium. She said she had to pay a deposit for the new insurance and as a result, couldn't afford to buy essential items. She also said our service should consider her complaint about LV's delay in issuing a complaint response.

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 should first set out that the Financial Ombudsman Service is a dispute resolution service, not the regulator of the insurance industry. So it's not our role to fine and punish a business. Our role is to look at whether a business has acted fairly in the circumstances of the complaint and decide what it needs to do where it hasn't.

LV accepts an error it was responsible for, led to Miss A's policy being cancelled. I've therefore considered the impact on Miss A and what I consider is a fair resolution in the circumstances.

LV did offer to pay the difference between Miss A's existing policy, and any new policy she took out with LV, following the cancellation. This was because LV was unable to reinstate the cancelled policy. LV offered to reimburse Miss A the full difference in price if she paid the new premium in full, or to refund the full difference in price once Miss A completed all the payments, if she paid for the new premium monthly through a finance agreement.

Miss A said LV's offer was unreasonable as it required her to pay the new premium up front, or wait until she'd made all the monthly finance payments. I can understand Miss A's reasons for not accepting the offer. But in offering to price match the full year's premium on a new policy, based on Miss A's previous year's premium, I consider LV went beyond what it was reasonably required to do. Its offer would've put Miss A in a better position overall than if her policy wasn't cancelled, and she had to take out a new policy in August 2024, for a new, likely higher premium. I've explained more on this below.

And despite Miss A not wanting to pay monthly premiums and wait for reimbursement, she still chose to take out a new policy elsewhere, that required her to pay a deposit, which she said caused her hardship, along with higher monthly payments spread across a lower number of payments. So I don't think Miss A did enough to mitigate her loss.

Miss A wants LV to pay the difference in the cost of her new policy, that started around May 2024 onward, over its full duration, compared to the cost of her policy with LV that started in August 2023 (and was due to end in August 2024). But I don't think LV is required to do this in the circumstances. I'll explain why.

Miss A's policy was cancelled in mid-April 2024, and she provided evidence to show she took out a new policy starting around May 2024. Her original policy with LV was due to expire in early August 2024.

So even if LV hadn't cancelled Miss A's policy in error, Miss A would only have had the benefit of her current policy with LV, at the existing premium and associated monthly payments, till early August 2024. So she'd always have had to take out a new policy in August 2024, for the new premium that would've applied at that point.

Miss A said in April 2024 that the cost of new policies she looked for, using the same details, were higher than her policy with LV. So I think it was always likely she'd have paid a higher premium for any new policy from early August 2024 onward.

It follows that I think the financial impact on Miss A, of LV's unfair cancellation, was the higher premium and associated monthly payments from May 2024 to early August 2024. This is why I've said LV's offer, outlined above, went beyond what it was required to do.

Miss A told LV in April 2024 she had to set up a new policy elsewhere, with a deposit of £130 and repayments of £60 a month. She later clarified that she hadn't set up a new policy at that point, as stated. She provided information to show she did take out a new policy,

around the end of April 2024 and beginning of May 2024. The evidence she provided showed she was required to make an upfront payment of £160.22, one monthly payment of £85.69 and nine further monthly payments of £80.69. This takes the total cost of her new policy, with interest, to £972.12.

Miss A's policy with LV cost £690.90 with interest. So this represents a difference of £281.22 over the full course of the new policy. I've explained why I don't think Miss A did enough to mitigate her loss, and why it's only fair to hold LV responsible for the increased cost between May 2024 and early August 2024. Splitting the difference of £281.22 between twelve monthly payments comes to around £23.44 per month in additional cost, on average. So I consider the £75 LV paid Miss A, accounts for over three months of the total additional cost to her, on average. I think this is fair, for the reasons I outlined above.

The Investigator recommended a total of £150 compensation in addition to the £75 payment for financial loss. Although LV was wrong to cancel Miss A's policy, I've explained above why I think it offered Miss A more than it needed to, following this. But I agree its action in cancelling Miss A's policy would've caused her distress, inconvenience and disappointment.

Miss A wrote to LV the morning after the cancellation date to say it had been cancelled in error. So I think she was aware of the cancellation and I don't consider she was at risk of driving uninsured, in the circumstances.

Miss A complained about the time LV took to respond to her complaint. Our Investigator explained we can't consider complaints solely about complaint handling, as this isn't a regulated activity. But I consider Miss A's concerns here related to a continuation of LV's handling of her policy, and the cancellation, so I've considered this.

The Financial Conduct Authority (FCA) sets out complaint time limit rules that a financial business should adhere to. By the end of eight weeks after receiving the complaint, the business should send the complainant a final response, or if it is not in a position to do so, it should inform the complainant of their right to refer the matter to this Service.

Miss A complained on 16 April 2024. LV needed to send its final response, or provide referral rights, by 11 June 2024. I've not seen evidence LV did this. Instead, I can see it issued a final response on 28 June 2024, around 17 days after the time limit that applied.

Miss A said this delay compounded her frustration, but I don't think the delay in issuing a complaint response would've impacted on her sufficiently as to warrant additional compensation. I think by the time LV's complaint response was due, Miss A already had insurance cover and was able to drive. And although LV's delay may have prevented Miss A from referring her complaint to our service by less than three weeks, it wasn't actually until September 2024 that Miss A did refer her complaint. So in the circumstances, I don't think LV's delay impacted on the time it took Miss A to refer her complaint to our service.

Overall, I think the £150 total compensation the Investigator recommended is fair and reasonable in the circumstances.

Miss A confirmed receipt of £125. £75 of this was for her financial loss and £50 was compensation for her distress and inconvenience. So I will direct LV to pay her another £100, if it hasn't done so, to take the total compensation to £150.

My final decision

My final decision is that I partially uphold this complaint.

I require Liverpool Victoria Insurance Company Limited to:

- Pay Miss A a further £100 compensation for distress and inconvenience, if it hasn't done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 25 March 2025.

Monjur Alam
Ombudsman