

The complaint

Mr G has complained about Covea Insurance plc. He'd arranged a motor trade insurance policy with it, but it cancelled it within a few weeks of the cover starting.

What happened

Mr G, using a broker, arranged a policy with Covea. Covea cancelled the policy as it found two claims on Mr G's insurance record which he had not disclosed. Mr G said one of those claims stemmed from someone having stolen his identity, he said the other had been a notification only. Mr G found cover elsewhere but at a higher price and the broker which had arranged the policy with Covea charged Mr G both an arrangement and cancellation fee.

When Mr G complained, Covea issued a final response letter. It confirmed it was satisfied it had acted fairly and reasonably. Mr G complained to the Financial Ombudsman Service.

Our Investigator felt Mr G had failed to make a fair presentation, at least in respect of the claim which Mr G had said had been notification only. But he wasn't persuaded that Covea had shown that failure amounted to a qualifying breach under relevant legislation. He said Covea should do a number of things to put matters right, including making a number of payments to Mr G.

Mr G was happy with that. Covea said it accepted the findings.

Initially the complaint was closed. However, Mr G subsequently got in touch with our Investigator and advised that Covea was not honouring the agreement reached. Covea was contacted. It said it had made payments to Mr G. When asked for proof, Covea did not provide anything. Covea did not suggest it was in any way, now, seeking to dispute the findings reached by our Investigator. The parties were informed that because Covea had not settled matters in line with our Investigator's view, the complaint would be referred for an Ombudsman's decision (with an Ombudsman's decision, if accepted by the complainant within the deadline set, being legally binding on the respondent business).

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 agree with our Investigator. As both parties agree with our Investigator's view, I don't intend to go into much detail here in my final decision. Rather I've summarised the key facts that lead me to awarding the redress I have set out below at "Putting things right".

- This is about a cancellation linked to what Mr G disclosed when arranging the cover, so it's reasonable, when considering the complaint about the cancellation, to apply misrepresentation principles.
- The relevant misrepresentation legislation here is the Insurance Act 2015 (the Act).
- The Act required Mr G to make a fair presentation of the risk to Covea.

- Mr G did not make a fair presentation to Covea because he didn't tell it about an incident when he should have (the notification incident).
- But Covea didn't provide compelling underwriting evidence to show that failure amounted to a qualifying breach. It confirmed it has no underwriting about this, its explanation of what it would do did not come from an underwriter.
- Without a qualifying breach Covea had no right to a remedy, so its enforced cancellation was unfair and unreasonable.

Covea's unfair and unreasonable action of cancellation had a number of impacts on Mr G, including having a cancellation recorded against him. And not least he incurred costs he otherwise would not have suffered. It's only fair that Covea puts all that right. To make up for distress and inconvenience caused, Covea should pay compensation.

I'm aware that Mr G has been suffering in the months since our Investigator's view due to Covea's not honouring the agreement entered into. It's disappointing that it agreed and then did not act. And I bear in mind that whilst our Investigator gave Covea an opportunity to show it had acted and paid sums agreed, it did not present any evidence in that respect. However, where a party does not agree with, or act in line with our view, the option is for an Ombudsman to issue a decision. Our role is not a punitive one so I can't award compensation in a punitive way, such as because Covea hasn't honoured the agreement.

But I accept that Covea's act of unfairly cancelling the policy was upsetting for Mr G. It was inconvenient for him and it caused him the additional inconvenience of having to find another insurer. For all of that I'm satisfied that £350 compensation is fairly and reasonably due.

I might ordinarily award interest on sums I'm requiring an insurer to pay or reimburse. However, our Investigator did not suggest that interest was applied to any part of his redress, and both parties were happy to settle on that basis. My decision is only required because Covea has then not honoured the agreement. So I'm satisfied it would not be fair or reasonable for me to add interest here. However, in line with our usual approach, I will add a direction which will require interest to be added in the event Mr G accepts my final decision, but Covea still does not comply with it. This addition will only impact Covea if it chooses to not comply.

Putting things right

I require Covea to:

- Remove the record of the cancellation from its own and any industry database.
- Provide a letter for Mr G to use if he wishes which explains the cancellation was an error on its part.
- Pay £312.66* as reimbursement of the arrangement fee.
- Pay £85* as reimbursement of the cancellation fee.
- Subject to evidence of cost and cover from Mr G, reimburse any additional cost he had for the new insurance he found.
- Pay £350* compensation.

*This sum is payable within 28 days of the date on which we tell Covea that Mr G accepts my final decision (if he does). If it pays later than this it must also pay interest** on the amount due applied from the date of my final decision to the date of payment.

**Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. HM Revenue & Customs may require Covea to take off tax from this interest. If asked, it must give Mr G a certificate showing how much tax it's taken off.

My final decision

I uphold this complaint. I require Covea Insurance plc to provide the redress set out above at “Putting things right”.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr G to accept or reject my decision before 4 April 2025.

Fiona Robinson
Ombudsman