

The complaint

Mr C complains that AA Underwriting Insurance Company Limited ('AA') unfairly recorded a cancellation on his motor insurance.

What happened

Mr C had a motor insurance policy with AA, taken out via a comparison website in July 2023. In January 2024, it found that Mr C had failed to disclose an April 2019 insurance claim. This meant it wouldn't continue to offer insurance on existing terms. AA contacted Mr C by post and email on 10 January 2024. It told him his policy would be cancelled on 17 January and asked him to call to discuss an alternative quote.

Mr C called AA on 19 January. However, AA told him it had already cancelled his policy and recorded the cancellation on the Claims and Underwriting Exchange (CUE).

Mr C accepts that he received the 10 January email. He also accepts that he didn't declare the 2019 claim. However, he says:

- He didn't realise AA was his insurer when he got the email.
- He had breakdown cover with another insurer and thought his car insurance was with the same insurer.
- Because of this – and general warnings about email scams – he thought the AA email was a scam.
- He was dealing with significant health issues at the time.
- AA only gave him a week to respond before it cancelled the policy.
- His premium payments increased because of the cancellation marker on the CUE database.
- He doesn't think it's fair that this should cause him such serious difficulties in getting affordable insurance.

AA discussed this with him on 26 January and told him it couldn't remove the marker from his record. Mr C appealed its decision through this service.

Our investigator recommended that the complaint should be upheld. He found Mr C's medical evidence persuasive, and he didn't think AA acted fairly by recording the cancellation against Mr C on the CUE database. He thought AA should remove this.

AA didn't accept this, so the complaint was passed to me to make a final decision.

My provisional decision

I issued a provisional decision on this complaint on 12 February 2025. I said:

"There's no dispute about what happened. Mr C accepts he received AA's email but thought it was a scam. He also says he forgot about his 2019 claim when he took out his insurance. The only issue for me to consider is whether AA acted reasonably when it cancelled his

policy.

AA emailed Mr C on 10 January to say it would cancel his policy seven days later. I accept that this is in line with the policy term about cancellation (page 41 of the policy booklet). AA says if Mr C was concerned about the validity of the email, he should have called AA to discuss it. I'm not totally convinced by this. I think many reasonable people would ignore emails they thought were scams rather than call the phone number on the email.

More importantly, I think there are significant mitigating circumstances in this case. Mr C's doctor – who has known and treated Mr C for over 20 years – provided a letter that explained Mr C's serious health issues. Ombudsmen decisions are published and are written in a way that prevents the customer from being identified, so I'm not going to set these out. But I think the medical evidence helps explain Mr C's confusion about his different insurers, why he thought the AA email might have been a scam, and why he failed to disclose his 2019 claim.

I'm satisfied that Mr C's health was a major factor in his failure to respond promptly to the AA email. I also accept his statement that if he'd known there was a problem, he'd have contacted AA "straight away". I think the evidence supports this. He phoned AA as soon as he received a text on 19 January.

The relevant industry rules have always required businesses to treat their policyholders fairly. This is set out further by the new Consumer Duty, which sets out higher and clearer standards of consumer protection. This means, among other things, that businesses should ensure their customers are adequately supported after the point of sale – for example, when they need help sorting out a problem.

Mr C told AA about his health problems during the 26 January call. AA didn't ask him about this or investigate whether this might have been a factor in his failure to reply to the 10 January email. Instead, it told Mr C that it wouldn't amend the cancellation marker and said his only option was to appeal to the "insurance ombudsman". Mr C did this and I intend to uphold his complaint. I don't think AA's response when told about Mr C's health problems was good enough. And I don't think it acted fairly by refusing to amend the cancellation on the CUE database.

While insurers record and share information about policies they've decided to cancel, this isn't the case if a customer decides to cancel their own policy. AA's 10 January letter offered Mr C the chance to cancel the policy himself. I'm satisfied that Mr C would have done this if he'd realised the impact of not doing so. In the circumstances, I think AA should amend any internal and external records to show that Mr C cancelled the policy.

AA's refusal to do this in January 2024 meant Mr C paid more for his new policy because of the cancellation on his insurance record. Where a consumer has paid more for a new policy because of an insurer's error in cancelling the policy, we'd usually ask it to refund the extra premium the consumer has had to pay to their new insurer. Mr C's 2023/24 premium with AA was £482.27. Mr C has provided a copy of his new policy showing it cost £871.60. AA should pay Mr C the difference."

Responses to my provisional decision

Both parties accepted my provisional decision and had no further comments.

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.

As both parties accepted my provisional decision and had no more comments they wanted me to consider, I uphold the complaint for the same reasons set out in my provisional decision.

My final decision

My final decision is that I uphold the complaint and order AA Underwriting Insurance Company Limited to:

- Remove any record of cancellation from internal and external databases.
- Pay Mr C £389.33 to reflect the increase in premium caused by its unfair cancellation of his policy.
- Provide Mr C with a letter confirming the policy was cancelled in error. This letter should also explain that it has refunded the difference in premium.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 20 March 2025.

Simon Begley
Ombudsman