

## The complaint

Miss M complains that Domestic & General Insurance Plc (DGI) unfairly cancelled her appliance and electronic device protection policies.

## What happened

Miss M held a number of protection policies with DGI for appliances and electronic devices, which she incepted some time ago. The earliest policy was taken out in February 2018. DGI said a total of 74 policies have been taken out by Miss M since 2018.

Miss M's policies with DGI provide protection against mechanical or electrical breakdown, labour charges and accidental damage. Over the time Miss M held her policies with DGI, it said she's made a significant number of claims for many different appliances and electronic devices. However, the claims Miss M has notified DGI of have been settled in her favour in line with the policy terms.

In June 2020, DGI said it placed Miss M's account on a watch list following concerns about her claim history. After this time, Miss M continued to make claims. So, on 7 February 2024, DGI wrote to Miss M to inform her that it had taken a decision to cancel her protection policies. It stated the policies would be cancelled within 7 days of the cancellation letter.

On 15 February 2024, DGI cancelled Miss M's policies and refunded her £48.54 as a gesture of goodwill for some of the premium payments she'd already made. A cheque was also sent to Miss M in the sum of £13.39 for a policy she'd paid in full upfront.

After receiving DGI's cancellation letter and cheque, Miss M contacted it to query why it had decided to terminate her policies and to ask what the cheque was for. DGI informed Miss M that the cheque related to a refund of policy premium. And it said it had cancelled her policies because a disproportionate number of claims had been made, which it was concerned may not have been genuine.

Miss M remained unhappy with the explanation she was provided. She said DGI had cancelled her policies without her knowledge and consent and didn't understand why this had occurred. She disputed that there had been a disproportionate number of claims made and argued that she'd only claimed when insured items had stopped working or been damaged. She therefore complained that DGI's decision to cancel her policies was unfair.

DGI investigated Miss M's complaint but didn't uphold it. It issued its final response on 11 March 2024 in which it explained there'd been unusual claim activity on her account, which had prompted further investigation. And it said that, following that investigation, there were reasonable grounds and sufficient evidence to withdraw Miss M's policies. It stated that the refund of £48.54 had been paid to Miss M in error as the only refund that had been due had been for £14.39. But it said it wasn't intending to ask Miss M to repay the amount that had been paid to her in error or take any further action to resolve her complaint.

Being dissatisfied with DGI's response to her complaint, Miss M referred it to our service. Our investigator looked into what had happened and recommended upholding Miss M's

complaint. They weren't persuaded DGI had provided sufficient evidence to show that claims made by Miss M had been dishonest given the number of items she'd insured and the period of time over which the claims had been made. Our investigator was satisfied DGI had therefore acted unfairly when it cancelled Miss M's policies. They told DGI to remove any information recorded about the cancellation of Miss M's policies and pay her £350 compensation for the trouble and upset she'd experienced.

Miss M accepted our investigator's view of her complaint. But DGI disagreed and asked an ombudsman to decide this complaint.

### **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'm sorry to hear about the difficulties Miss M experienced here. I also recognise that she's a vulnerable consumer with additional needs, which DGI was aware of. I also acknowledge the strength of feeling DGI has about this complaint.

I'd like to thank Miss M and DGI for their detailed submissions about what happened. I've read and considered all the information provided, but I'll concentrate my decision on what I think is relevant to decide the complaint. If I don't comment on any specific point, it's not because I've failed to take it on board and think about it, but because I don't think I need to comment on it to reach what I think is the right outcome.

The issue that I must determine is whether DGI made a mistake, or treated Miss M unfairly, such that it needs to now put things right. Having thought carefully about everything Miss M and DGI have said, I've reached the same conclusions as those of our investigator. I'll explain why

This service is an informal dispute resolution service. When considering what's fair and reasonable, I'm required to take into account a number of matters, which include relevant law and regulations, regulators' rules, guidance and standards, codes of practice, the terms and conditions of any insurance policy and, where appropriate, what I consider to have been good industry practice at the relevant time. I'm not limited to the position a court might reach.

In considering whether DGI's decision to terminate Miss M's policies was fair and reasonable, our service considers the policy documentation to ascertain the terms and conditions that apply and what they say about an insurer's entitlement to cancel a policy.

Miss M's policy with DGI outlines the circumstances in which it is entitled to cancel a policy. The terms explain that DGI can terminate a policy:

*"If we have reasonable grounds to believe that you have (or anyone acting for you has) claimed under this policy knowing the claim to be dishonest, exaggerated or fraudulent then we may cancel the policy immediately without any refund of premium or excess."*

The policy goes on to explain that, where there's a valid reason to cancel the policy, DGI is required to give at least 7 days written notice to the policyholder. I'm satisfied the terms are written in clear, intelligible and unambiguous language.

Here, it's not in dispute that DGI provided proper notice of cancellation to Miss M having made its decision to terminate her policies. I say this because it wrote to her on 7 February 2024 explaining that it would cancel her policies within 7 days following an internal

investigation of her account and claims history. The evidence I've seen satisfies me that DGI waited 7 days before cancelling the policies Miss M held with it.

While I'm persuaded that appropriate notice of cancellation was provided to Miss M, I note that the letter DGI sent may have caused confusion. The date of cancellation is incorrect as the letter refers to the date of cancellation being 14 January 2024 when it should have been one month later. This wasn't helpful.

What's in dispute here is whether DGI acted fairly in making a decision to cancel Miss M's policies. As our investigator explained in their view of this complaint, for our service to be persuaded that DGI has fairly and reasonably cancelled Miss M's policies, it would have to provide compelling evidence to show that she's acted dishonestly when making claims.

DGI has informed our service that Miss M has made 55 claims during the last 4 years. It asserts that 25 of these claims were made within the first 3 months of the policy inception date. And it stated that 6 of the faults that Miss M reported with appliances occurred within 2 weeks of the policy being taken out. In referring to its concern about a dishonest claim made within 2 weeks of the policy inception date, DGI cited a claim where Miss M had reported that all 4 hinges had broken on her fridge freezer. It stated this was extremely unlikely.

I bear in mind that, while DGI had concerns about Miss M's claim history, it ultimately settled claims in her favour. When assessing claims made by Miss M there's no evidence indicating that DGI suggested to her that any claim was fraudulent, exaggerated or misleading. I've also taken into consideration that, over the claim period DGI is concerned about, Miss M has held 74 policies with it for a significant number of appliances and electronic devices.

Set against a context where Miss M has held 74 policies since 2018, 55 claims within the last 4 years doesn't feel disproportionate as DGI has asserted. I'm not persuaded that the number of claims made is evidence per se that Miss M has behaved in a fraudulent or dishonest manner.

I've considered the descriptions that DGI recorded of the claims Miss M has made since 2018 and I accept that some claims were made relatively recent to the policy inception dates. From the business records DGI has shared with our service, I can see it identified 4 claims, made during October 2023, as potentially fraudulent due to the circumstances of the claim and because damage had occurred during the first two weeks of the policy inception. But there's no evidence these claims were fraudulent. And, despite its concerns, I understand that DGI settled these claims in Miss M's favour by undertaking repairs in line with the policy terms. There's no evidence of any claims being declined by DGI during the time Miss M held policies with it.

Given that DGI had placed Miss M's account on a watch list in June 2020, and there have been further claims since that time, I'd have expected DGI to challenge claims brought after that time and subject them to rigorous checks. I'd have expected DGI to decline any claims that it assessed as likely to be fraudulent. There's no evidence that occurred, which I think undermines DGI's concerns that Miss M was acting in a dishonest, exaggerated, or fraudulent manner.

In the overall circumstances of this complaint, I'm not persuaded that DGI has discharged its evidential burden of providing compelling evidence to show Miss M has acted dishonestly when making claims. It follows that I'm satisfied it acted unfairly and unreasonably in terminating Miss M's policies. I'm therefore upholding this complaint. But I'm not directing DGI to reinstate those policies. This is because Miss M has now obtained cover elsewhere for her appliances and electronic devices and it appears the relationship between her and DGI has irretrievably broken down as a result of what happened.

Our investigator recommended that DGI pay Miss M £350 compensation to recognise the distress and inconvenience she was caused as a result of having her policies cancelled. DGI has argued that this is unfair and unreasonable.

In thinking about what a fair resolution to Miss M's complaint looks like, it's my role to consider what impact the business' actions have had on the consumer and to decide, within guidelines set by our service, whether compensation would be appropriate in the circumstances.

I've considered that fraud is a serious allegation, which can have reputational consequences and impact a consumer's ability to obtain insurance in the future. It can also be deeply distressing and cause confusion. Based on the evidence available, I'm satisfied that DGI's decision to terminate Miss M's policies caused her distress and anxiety.

I can see that Miss M was also confused by what had happened and had no option but to seek alternative insurance cover elsewhere at short notice. I understand that Miss M informed our investigator she found this difficult. I accept that she would have been inconvenienced and upset by that.

DGI has provided evidence to our service that shows it was aware of Miss M's vulnerabilities. But I can't see that it took those vulnerabilities into consideration or made the adjustments Miss M needed when it communicated a decision of great importance to her – namely that it was cancelling her policies.

I've already mentioned that the date of cancellation was incorrectly stated in the cancellation notice. So, Miss M may have thought her policies had already been cancelled when they hadn't at that stage. This would have caused additional stress. And, like our investigator, I'm not persuaded that DGI considered how Miss M's vulnerabilities may have impacted her understanding of the plans or the decision it had made to cancel her policies.

I'm satisfied that an award of compensation is appropriate to reflect the distress and inconvenience Miss M would have experienced. And, having taken into account the likely impact of what happened on Miss M, I'm satisfied that £350 is a fair amount of compensation that's proportionate to what happened. It's in line with our approach in similar scenarios and it's what I would have directed DGI pay if no recommendation had been made by our investigator. In the overall circumstances of this complaint, I'm satisfied that the compensation our investigator recommended is fair and reasonable. So, I'm not going to direct DGI pay a different award to resolve this complaint.

Our investigator also recommended that DGI should resolve this complaint by removing any information it has recorded about the cancellation of Miss M's policies or concerns about fraudulent behaviour. While I accept DGI has a responsibility to provide an accurate record of claims by its customers to other agencies, it should remove any record it may have reported about policy cancellations and fraud that relate to Miss M here. This is because DGI hasn't provided compelling evidence to show that Miss M acted in a dishonest, exaggerated, or fraudulent manner.

### **Putting things right**

For the reasons already outlined, DGI should resolve Miss M's complaint by paying her £350 by way of compensation for the distress and inconvenience she was caused as a result of what happened. It should also remove any information it recorded about policy cancellation and allegations of fraud.

### **My final decision**

My final decision is that I uphold this complaint. Domestic & General Insurance Plc should resolve Miss M's complaint by paying her £350 by way of compensation for the distress and inconvenience she was caused as a result of what happened. It should also remove any information it recorded about policy cancellation and allegations of fraud.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 9 April 2025.

Julie Mitchell  
**Ombudsman**