

## **The complaint**

Mr D complains about U K Insurance Limited (UKI) continuing to charge premiums on his motor insurance policy, following a claim for the total loss of his vehicle.

References to UKI in this decision include their agents.

This decision covers a complaint by Mr D to this Service in September 2024. Mr D made an earlier complaint to this Service about UKI's handling of his claim for damage to his vehicle, which UKI deemed a total loss, and the total loss settlement for the vehicle. A final decision on the complaint was issued in October 2024 covering the settlement value for the vehicle and the commendation awarded by UKI for poor service to Mr D.

So, this decision does not cover the issues in the earlier complaint. Reference to the total loss and subsequent handling and settlement of Mr D's claim are only included as contact for the circumstances in Mr D's current complaint.

## **What happened**

In April 2024 Mr D's vehicle had an accident, the damage to which led UKI to deem the vehicle a total loss. Having deemed the vehicle a total loss, UKI suspended Mr D's policy, which allowed him to acquire a replacement vehicle and add it to the policy should he so wish. The provision for adding a replacement vehicle was common practice in the insurance sector where a vehicle had been the subject of a total loss.

As a claim had been made under the policy, the terms and conditions provided for the full premium due under the policy to be due to UKI, until the policy term came to an end (it was due for renewal at the end of May 2024). However, because Mr D's vehicle wasn't recognised as being a total loss until June 2024 (when the policy was suspended) this was after the policy renewal date and the policy automatically renewed. This also meant the policy renewed under the existing terms and conditions, including the vehicle that had been deemed a total loss.

As the policy renewed, UKI continued to collect the monthly premium due under the terms of the renewal. Mr D contacted them in August 2024 to resolve the matter, as he was paying premiums for a policy but had no [replacement] vehicle. He said he spent significant time on hold when trying to speak to UKI, was passed between different departments and was told differing things about a refund. UKI accepted the policy should have been cancelled and issued a cancellation letter at the end of August, detailing a refund of £90.93. However, there was also a premium collected of £191.86. UKI agreed to refund the premium, but didn't do so, leading Mr D to contact them again.

Mr D then complained to this Service. He was unhappy his policy was suspended and not cancelled when his vehicle was deemed a total loss. And he was being charged premiums for the policy when he didn't have a vehicle. He wanted the additional premiums refunded. He was also unhappy with the service from UKI while trying to resolve the matter.

As Mr D complained to this Service before complaining to UKI, we asked UKI to consider the issues in his complaint in the first instance.

In their final response, issued in September 2024, UKI apologised for Mr D being charged for a policy when he had no vehicle to cover or drive. He'd received multiple letters about making changes and cancelling his policy, causing confusion. UKI accepted communication had been poor. They said that where a vehicle was deemed a total loss a policy was automatically put on suspension, allowing a policyholder to add a new vehicle to the policy if they wished. If a new vehicle wasn't added, the policy should lapse at the end of its term.

However, in Mr D's case, the policy automatically renewed at the end of May 2024, but the total loss and suspension of the policy didn't happen until the following month. The policy was taken off suspension and cancelled when Mr D contacted them, which allowed for a refund of the premium. UKI said they had arranged for the amount (£191.86) to be refunded to Mr D's account. UKI acknowledged it had been a stressful time for Mr D due to health issues, so they awarded £250 compensation.

There was a further issue because UKI didn't refund the premium when they said they would, leading to Mr D contacting them again to complain. They issued a further final response in September 2024, apologising and awarding a further £75 compensation, making a total of £325.

Our investigator then considered the complaint but didn't uphold it. He noted UKI suspended Mr D's policy when his vehicle was deemed a total loss, allowing him to add a replacement vehicle to the policy had he wished. However the policy renewed in May 2024, with Mr D's original vehicle when it should have been suspended earlier and the policy not renewed. UKI had recognised their mistake, cancelled the policy and refunded the additional premiums. They also awarded a total of £325 compensation for the stress and worry caused to Mr D. In the circumstances of the case, the investigator thought UKI had acted fairly and reasonably.

Mr D disagreed with the investigator's view and asked that an ombudsman consider the complaint. So, the complaint has been passed to me to consider.

### **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.

My role here is to decide whether UKI have acted fairly towards Mr D.

The main issue in Mr D's complaint is that he was charged for a policy that renewed automatically when he had no vehicle to insure. He's also unhappy at multiple, confusing communications from UKI and being passed between UKI departments and spending significant time on hold. UKI acknowledge the policy shouldn't have renewed and their communication was poor. As well as refunding the premium payment taken (£191.86) they've awarded a total of £325 compensation.

On the first issue, UKI accept the policy automatically renewed at the end of May 2024, at which point Mr D's vehicle had been involved in an accident the previous month and was in the process of being deemed a total loss. UKI acknowledge the policy should have been suspended, but this didn't happen until June 2024 when the vehicle was deemed a total loss. But at that point, the policy had already renewed automatically (based on the existing vehicle details). It appears a monthly payment of £191.86 was taken before Mr D contacted UKI in August 2024.

It's clear that, while there may have been a timing issue with the accident involving his vehicle occurring close to when his policy was due for renewal, before the vehicle was

deemed a total loss, the policy shouldn't have been renewed. And while it was suspended in June 2024, the policy continued (with premiums taken) when Mr D didn't have a replacement vehicle. And it appears it wasn't until Mr D contacted UKI in August 2024 that UKI realised the error and then cancelled the policy.

It also seems the £191.86 refund wasn't processed as it should have been, causing further inconvenience to Mr D. He contacted UKI again about this, who issued a supplementary final response in which they apologised and awarded the further £75 compensation.

So, I've concluded UKI didn't act fairly and reasonably in this respect.

On the issue of multiple, confusing communications, together with difficulty contacting UKI, UKI acknowledge (in their claim notes) that they sent two letters. The first confirmed the policy had been taken off suspension (and a refund issued) and second one referred to the cancellation of the policy. Both were dated the same day (in August 2024). And, as UKI's notes record, the policy shouldn't have been renewed and therefore the second letter shouldn't have been necessary had they followed the correct process.

I haven't been able to confirm the point Mr D makes about having been on hold for a significant length of time (over two hours) but I don't have any reason to doubt what he says.

Taken together, as UKI accept, their communication with Mr D was confusing and would have caused distress and inconvenience. Particularly at a time when he had health issues (of which UKI were aware).

Having reached these conclusions, I've considered the actions UKI have taken to put things right. They've apologised and refunded the premiums paid by Mr D for the renewed policy from May 2024. So, they've put him back in the position he would have been had the policy not (wrongly) renewed. As a claim was made in the previous policy year (to May 2024) then the terms of the policy mean that the full premium for that year would be due (this is a standard feature of insurance policies where a claim is made during the policy term, reflecting the contractual nature of a policy under which insurers provide indemnity for claims in exchange for the policy premium).

However, as UKI accept, their handling of the matter was below the standard Mr D should have expected and this caused him distress and inconvenience at what was already a difficult time, including his health issues. He had to contact UKI several times to resolve matters when the renewal of the policy and failure to fully refund the premiums first time shouldn't have happened in the first place.

I've considered this in the context of the circumstances of the case alongside the published guidelines from this Service on awards for distress and inconvenience. It's clear Mr D suffered considerable distress, upset and worry as well as significant inconvenience that required a lot of effort to resolve, at a difficult time for him given his circumstances. Taking these points together, I think UKI's award of a total of £325 compensation is fair and reasonable, so I won't be asking them to make a further award.

### **My final decision**

For the reasons set out above, it's my final decision not to uphold Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 17 April 2025.

Paul King  
**Ombudsman**