

The complaint

Miss L complains that UK Insurance Limited (UKI) cancelled her motor insurance policy and that it hasn't applied her No Claims Discount (NCD) at her policy renewals.

What happened

Miss L called UKI to defer a month's direct debit payment and UKI said it would make a note on her policy. But when a new direct debit wasn't set up, UKI contacted Miss L saying the policy would be cancelled if this wasn't done. Miss L couldn't complete the direct debit on UKI's website, and she failed to complete the process with UKI when it tried to set it up for her. UKI then sent Miss L a notification of cancellation and cancelled her policy. Miss L was unhappy with this and that her premiums had increased every year rather than declining due to increased NCD.

Our Investigator didn't recommend that the complaint should be upheld. He thought UKI had cancelled the policy fairly and reasonably as there was no direct debit in place. And he thought UKI hadn't treated Miss L unfairly when it quoted for policy renewals as Miss L had only one year's NCD due to incomplete previous years.

Miss L replied asking for an Ombudsman's review, so her complaint has come to me for a final decision. Miss L said she had previously made arrangements to defer payments and her policy hadn't been cancelled. She said she thought the direct debit arrangement had been completed. She thought the Investigator had an incorrect premium history for her policies with UKI.

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.

Miss L has told us that she was able to make arrangements to pay her premium late on previous occasions. So I can understand that she feels frustrated that UKI cancelled her policy. I was sorry to hear about the effect this has had on her finances and health.

Our approach in cases like this is to consider whether the insurer's acted in line with the terms and conditions of the policy and fairly and reasonably.

UKI said that it had cancelled Miss L's policy because she hadn't set up a direct debit mandate to pay her monthly premium. This is explained in the credit agreement set up so that Miss L could pay her premium in monthly instalments:

"You agree to pay the Instalments to us by Direct Debit in full and on the due dates. If you fall behind with the payment of instalments, or fail to notify us of a change in your bank /building society account, or your Direct Debit Instruction is cancelled, we have the right to require you to pay the total balance outstanding, and all future instalments, fees and charges together with any interest and Charges on Default payable under this Agreement immediately on demand, and to end the Agreement, following the procedure set out in clause 5 below."

Looking at UKI's file, I can see that Miss L called UKI five days before her next payment was due to be taken to pay an outstanding balance and to make an arrangement for a later payment.

But UKI's agent said she was unable to defer this payment as the instalment had already been billed for. The agent said she would make a note and that Miss L should contact UKI if she received a cancellation notification.

So I think UKI made it reasonably clear to Miss L that she couldn't make an arrangement to pay late on this occasion. At the time Miss L spoke to the agent there was no cancellation pending. But this was issued automatically shortly after their conversation. UKI sent Miss L notification of cancellation due to the direct debit not being set up, not because of a missed payment.

I can see that Miss L tried to set up the direct debit on her phone, but UKI's system wasn't working correctly. She then contacted UKI by webchat to set this up. But the process wasn't then completed.

The next day, UKI sent Miss L a message to continue the chat, and it sent her a reminder by text. But she didn't respond before the cancellation date. UKI then sent Miss L confirmation that the policy had been cancelled.

I can understand that Miss L thought the cancellation notification had been sent in error and she thought she had completed the process to set up the direct debit. But this wasn't the case and unfortunately Miss L didn't again make contact with UKI before the cancellation.

I can see from UKI's file that Miss L had had previous policies cancelled for similar reasons. So I think she would have been aware of the process. And so I think UKI cancelled Miss L's policy fairly and reasonably and in keeping with the policy's terms and conditions.

Miss L was concerned that she had been with UKI for a number of years, but her premium hadn't decreased due to her achieving NCD years. I've looked at Miss L's policy history with UKI. I can see that she completed her first year and gained one year's NCD. This led to a decrease in her premium the following year.

But in this and the subsequent years Miss L didn't complete any full policy years and so she didn't earn any further NCD entitlements. Miss L's last policy with UKI states that she has three years' NCD, but this was information provided by Miss L, not what UKI had awarded.

Miss L said she was able to find a cheaper UKI policy than her last renewal quote through an online comparison site. But I've looked at this policy and the two policies aren't like for like. And so I can't say that UKI has treated Miss L unfairly.

My final decision

For the reasons given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 24 April 2025.

Phillip Berechree
Ombudsman