

The complaint

Mr B complains that U K Insurance Limited (UKI) unfairly cancelled his motor insurance policy.

What happened

Mr B took out a motor insurance policy with UKI in July 2024. The policy's premiums were paid via a finance agreement, in which UKI was paid the full annual premium, and Mr B paid this sum via monthly instalments to the finance provider.

A monthly finance payment was returned by Mr B's bank, so UKI emailed Mr B on 4 September 2024 to alert him that a payment had been missed and they would try to take the money again in 10 days' time. However, this payment also failed, and UKI emailed Mr B again on 20 September 2024 and asked him to call them within 14 days to avoid cancellation of the policy. When they didn't hear anything back – they cancelled the policy and sent a third email to confirm this on 6 October 2024.

Mr B didn't think this was fair and complained. He said he hadn't received UKI's emails, so he wasn't aware of the missed payment or pending cancellation. But he said he did receive the third email which confirmed the policy had been cancelled and contacted UKI to discuss what had happened. He said he'd taken out a new policy with UKI; but this was for an increased sum which he didn't think was fair.

UKI considered Mr B's complaint but didn't think they'd done anything wrong. They said they didn't have an outbound call team to chase missed payments and had outlined their process for missed payments during the sale of the policy. And they explained that they had contacted Mr B about the pending cancellation via email, which was Mr B's stated contact preference. Mr B remained unhappy with UKI's response – so he brought the complaint to this Service.

An Investigator looked at what had happened and recommended that the complaint should be upheld. He said given the implications driving without insurance can have, this Service feels it's good industry practice for insurers to communicate a cancellation via two methods. So, he felt UKI should have called or written to Mr B in addition to emailing him when the payments failed. He said he felt Mr B would have rectified the issue if it had been communicated to him. To resolve the complaint; he felt UKI should price match the new policy to the original policy's premium and refund Mr B the difference or adjust Mr B's payment plan accordingly. He also thought UKI should remove any cancellation markers from internal and external databases as well as pay £150 compensation.

Mr B agreed with the Investigator's recommendations, but UKI did not. They said they'd communicated with Mr B in line with his communication preferences and the terms of the policy. And they said they had no outbound call centre to chase non-payment of monthly instalments.

UKI asked for an Ombudsman to consider the complaint – so, it's been passed to me to decide.

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've reached largely the same outcome as the Investigator.

UKI cancelled Mr B's policy because he missed a monthly payment in September 2024. The terms of Mr B's policy allow UKI to cancel the policy with notice, where they are unable to collect payments due under the credit agreement. The relevant terms can be found on page 18 of the policy wording and say:

*"If **we** have been unable to collect the instalment payment(s) due under **your** credit agreement on the date(s) due, **we** will write to **you** in order to give **you** the opportunity to make the payment(s). If any instalment amount remain(s) unpaid by the date **we** set out in **our** letter, **we** will give you 14 days' notice that **we** will cancel your policy, and inform **you** in writing when this cancellation has taken place."*

UKI says that Mr B's contact method was set to email when the policy was inceptioned. So, they emailed Mr B on 4 September 2024 to tell him that the payment had been missed and that they would try again in 10 days' time. The subsequent payment also failed; so, UKI emailed Mr B again on 20 September 2024 and asked him to call them within 14 days to avoid cancellation of the policy. When they didn't hear anything back – they cancelled the policy on 4 October 2024 and sent a third email to confirm this on 6 October 2024.

This timeline is within the terms and conditions of the policy – but the crux of this complaint is really down to whether UKI exercised this approach fairly and reasonably. In order to conclude this complaint, I've considered this Service's approach to cancellation of car insurance policies.

It's not in dispute that UKI sent cancellation emails to Mr B. The issue is that Mr B says he didn't receive the first two emails and was only alerted to the issue of the missing payment when he received UKI's third email stating the policy had now been cancelled. I appreciate UKI has said that they followed Mr B's preferred communication method of email as per their policy terms. And they also explained they don't have an outbound call centre to chase missing payments.

At this point I should outline that my remit to decide complaints is often broader than the simple application of policy terms. And I must ultimately determine the complaint by reference to what is, in my opinion, fair and reasonable in all the circumstances of the case under DISP 3.6.1R.

Given the serious implications of having a policy cancelled and the risk of driving uninsured – this Service considers it good industry practice for an insurer to use two means of communication when notifying their customer that a policy is going to be cancelled - such as email and letter.

I recognise that Mr B did fail to make the payments he'd agreed to make to UKI, even though he was sent him emails about this. But I don't think Mr B received good customer service from UKI, who I think should have ensured they'd made contact with him about the cancellation by using more than one method of communication. Had Mr B been aware his policy was going to be cancelled, I think it's more likely than not he'd have contacted UKI to pay the amount needed to prevent this happening. I say this because this amount was less than what he paid to take out a new insurance policy with them.

What was the impact

Mr B has experienced distress, inconvenience and disruption, requiring a lot of effort to sort out – so I think UKI should pay a sum of compensation to reflect the impact their actions had.

Mr B has also had to take out a new policy with UKI at an increased price. I appreciate UKI says this is due to pricing changes which can vary – but I don't think he would have needed to take out a new policy at all if UKI had communicated properly with him about his cancellation to allow him to avoid this.

Putting things right

UKI have confirmed they didn't add any record of the cancellation to internal or external databases – so there is no impact here. But UKI should provide Mr B with a letter explaining the policy was cancelled in error.

In respect of financial impact, Mr B's original policy cost £1,051.43, and the new premium was £1,615.21. I've noted UKI's points around any differences in the policies, but I've ultimately reached the same conclusions as the Investigator here and I find that the fair and reasonable redress is for UKI to price match the new policy to the original policy's price.

If the new premium was paid in full; UKI should refund the difference – less any time on cover - and add 8% simple interest. If the new policy was taken out using a monthly finance agreement, UKI should adjust the total premium price – less any time on cover - and then adjust Mr B's payment plan accordingly.

Finally, UKI should pay £150 compensation for the distress and inconvenience caused as a result of cancelling Mr B's policy.

My final decision

My final decision is that I uphold this complaint. I require U K Insurance Limited to resolve the complaint in the way I've set out in the "Putting things right" section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 23 April 2025.

Stephen Howard
Ombudsman