

The complaint

Miss S complains that U K Insurance Limited trading as Direct Line (“UKI”) failed to tell her that her commercial property insurance in cover had to be renewed manually, leaving her with a gap in cover.

What happened

Miss S had a landlord’s policy underwritten by UKI for a property she let to tenants. In May 2024 she noticed that the premium payments had not been taken from her bank account and got in touch with UKI. She found that the policy had lapsed in March, as it had not been renewed.

Miss S complained that she had been left without cover for that period. In its final response to her complaint, UKI apologised for the fact that renewal documents had not been issued and the policy had lapsed, leaving her uninsured.

UKI sent Miss S a cheque for £100, made up of £5 to cover the cost of phone calls Miss S had made to try and resolve things, and £95 compensation for the inconvenience caused.

Although a new policy was set up, Miss S remained unhappy, particularly as she said the gap in cover had caused delays to a claim on the legal expenses section of cover.

Our investigator said the policy had lapsed due to errors by UKI, leaving Miss S without cover for two months, the service it had provided had been poor, and there had been delays with her legal expenses claim. He felt a fair offer of compensation for all the distress and inconvenience caused would be £250, plus £5 for phone calls. He asked UKI to increase the compensation to £255.

UKI doesn’t agree and has provided further comments. It has made a number of points, including:

- Although there was an error, this was put right and cover was reinstated, so Miss S wasn’t left uninsured, and was put back in the same situation she would have been in, but for the error.
- Miss S did receive renewal documents asking her to call and renew the policy.
- When Miss S advised of problems with her legal expenses claim, it contacted the legal expenses provider to resolve the problem.

The investigator considered UKI’s comments but didn’t change his view.

As no agreement has been reached, I need to make a decision.

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.

Insurers have a duty to give consumers the information they need at the right time and in a way they can understand, so they can make good financial decisions. The information should be clear, fair and not misleading. They should support their customers in making use of their policy without unreasonable barriers.

UKI has accepted there were errors – renewal documents were not issued when they should have been and, although Miss S was told about the renewal date, she wasn't told the policy would not renew automatically; it had to be renewed manually. But it says the compensation already paid is fair, and doesn't agree that a further payment should be made. So I need to decide what a fair amount of compensation would be.

When deciding how to put things right, the aim where possible is to put the consumer back in the position they would have been in, if things had not gone wrong. UKI says it has done this as a new policy was issued, backdated to the renewal date, so she wasn't left without cover. While a new policy was issued, I don't think the compensation UKI paid is fair, for the following reasons:

- UKI's final response to Miss S' complaint included the following comments:
"I am sorry in your case it meant not renewal documents were issued, and your policy lapsed."
"They made you aware of the renewal date but failed to make you aware the policy would need to be renewed manually. I am sorry this happened and meant you were left uninsured."
- So it acknowledged the renewal letter had not been sent and she had been left without insurance. This may have been rectified but at the time, Miss S didn't have insurance.
- When she contacted UKI in August 2024 about problems with her legal expenses claim, it said *"I am sorry you are still experiencing issues due to the gap in cover on your policy. We have now made contact with... to inform them this was our error."* Again, this acknowledges there was a gap in cover. And it shows she was still having problems some months later.
- UKI says renewal documents were sent, but I haven't seen evidence to confirm that. And the policy schedule I've seen is dated May 2024, not March. Other correspondence confirms that the policy did not renew and Miss S wasn't made aware it had lapsed. In an email to the legal expenses insurer, UKI said *"I'm not sure why the policy was never backdated to when it should have been renewed..."*

I'm satisfied from the evidence I've seen that the policy did lapse and there was a period of two months with no cover. Even if that was subsequently put right, at the time Miss S was very upset to find she had no insurance for the property. This would have been quite a shock to her. And it led to delays with her legal expenses insurance.

I appreciate UKI did take steps to put things right, including getting in touch with the legal expenses provider. But Miss S was put to some trouble having to sort things out, making a number of calls to both UKI and the legal expenses provider.

She also had the worry of not knowing whether the legal expenses claim would be covered, at a time when she needed to take legal action before a deadline ran out.

I've thought about the impact on Miss S and, taking all of the above circumstances into account, I think a payment of £250 would be a fair amount to acknowledge all the distress and inconvenience caused to her. As UKI had already paid £5 to cover the cost of her phone calls, that means a total of £255 to be paid. UKI sent a cheque for £100 to Miss S. If that

cheque has been cashed and Miss S has had that money, UKI may deduct it from the compensation to be paid.

My final decision

I uphold the complaint and direct U K Insurance Limited trading as Direct Line to pay compensation of £255 (less any amount already paid) to Miss S for the distress and inconvenience caused to her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 28 May 2025.

Peter Whiteley
Ombudsman