

The complaint

Miss D complains that UK Insurance Limited trading a Churchill Insurance gave her incorrect information that her policy was third party only which led to her cancelling the policy.

What happened

Miss D purchased an Essentials motor insurance policy with UKI through Churchill in November 2023.

In July 2024 she rang up to make changes to the policy as she wanted to travel abroad and add her son to the policy. She was incorrectly informed during the call, that the policy only provided third party cover.

As a result, Miss D cancelled her policy with effect from 2 August 2024 and was charged a cancellation fee of £53.76, leaving the partial year premium refund to be only £14.96. She then had to find an alternative insurer.

UKI accept that in the call on 31 July 2024 they misinformed Miss D about the Essentials policy in that it isn't just a third-party policy and has other benefits. They also accepted that as a result of the advice she was given, Miss D cancelled her policy. Miss D was also incorrectly advised that she couldn't upgrade her policy to comprehensive without cancelling it. UKI offered Miss D £100 compensation for the distress and inconvenience caused.

Miss D wasn't happy with this outcome and so she brought her complaint to us.

One of our investigators looked into Miss D's complaint and she recommended that UKI refund the £53.76 cancellation fee in addition to paying the £100 compensation.

Miss D disagreed with this and so the case has come to me to review.

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've thought about whether UKI have made an error which led to her cancelling the policy, and if so, what is needed to put Miss D back in the position that she would have been in if the error hadn't occurred.

Miss D says that when she bought the policy, she searched for a fully comprehensive policy online as she would never buy third party fire and theft insurance – especially for such a new car.

The policy that came up was the Essentials policy with Churchill. It didn't occur to her that may not be fully comprehensive.

Having looked at the policy terms and conditions, I can see that the Essentials policy does provide enhanced cover from the third party fire and theft policy. It includes Accidental Damage too and so is a very similar level of cover to Comprehensive and Comprehensive Plus, but with exclusions for things like misfuelling, lost keys or cover to drive other vehicles. It is a basic version of a standard, fully comprehensive policy.

I've listened to the call from 31 July, and in it the call handler clearly advises Miss D that in an accident she is only covered for damage to the third party and that the Essentials cover means third party only. This was incorrect information. The call handler also provided incorrect information about whether the policy could be upgraded to fully comprehensive, and whether European cover could be offered.

Once the call ended, Miss D cancelled her policy and took out insurance with another provider who could offer her comprehensive cover with the cover she needed to go abroad.

I can understand why Miss D would have been upset when told that she didn't have the cover she thought she had, and it clearly worried her so much that she said she wouldn't feel safe driving until she had sorted it out. It caused her to cancel her policy immediately and seek alternative cover. She didn't take out cover with UKI as she understandably felt let down.

I'm pleased to see that she was able to quickly get the cover that she needed to go on her holiday, and so whilst I am satisfied that there was some distress and inconvenience, I've also considered that it was short term, and given that she did actually have more cover than she was advised by UKI, there was no detriment to her in terms of the product she had held up until that point.

However, the incorrect information led to her having the inconvenience of cancelling the policy and having to pay for a new policy four months earlier than she expected with only a small refund coming to her. I appreciate that having to find the extra money just before a holiday would have been unexpected, and having thought about it, I'm satisfied that the £100 offered by UKI seems fair for the short term distress and inconvenience here.

However, In addition to this, I agree with the investigator that UKI should refund Miss D the cancellation fee that was charged given that she didn't really need to cancel her policy.

Putting things right

To put things right, UKI should:

- Pay the £100 compensation they have offered
- Refund the cancellation fee of £53.76
-

My final decision

My decision is that I am upholding Miss D's complaint about UK Insurance Limited trading as Churchill Insurance and directing them to put things right as above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 21 April 2025.

Joanne Ward
Ombudsman