

The complaint

Mr B complains that UK Insurance Limited trading as Direct Line Insurance have sent a settlement payment to an account no longer in use.

What happened

Mr B had a motor insurance policy with UKI and made a claim in 2022. His car was deemed a total loss and UKI settled the claim.

In 2024 UKI wrote to Mr B to let him know that they had made an error on the settlement in 2022 and they were sending a further payment by BACS transfer.

UKI then made the payment to a bank account that Mr B had no access to. Mr B was unhappy about this and complained.

UKI said that they had given Mr B ten days' notice of the payment for him to give him time to let them know if there were any issues with the bank account, and also that they checked Experian before they made the payment and the account was still open.

However, they accept that Mr B contacted them on 28 July 2024 by e mail to advise of a change to where they pay the money, and while the file notes record that they responded on 30 July, the response wasn't on the file, and incorrect information was recorded to say the payment had been issued by cheque. For this service failing, UKI sent £100 compensation to Mr B by cheque.

Mr B wasn't happy with this outcome and so he brought his complaint to us.

One of our investigators looked into Mr B's complaint and he recommended that UKI pay a further £150 as compensation for distress and inconvenience.

UKI 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 communicated clearly with Mr B, and if not, whether the compensation paid to him fairly reflected the distress and inconvenience experienced.

UKI have confirmed to us that the letter to Mr B about the extra payment was dated 12 July 2024 but actually sent on 18 July 2024 - saying that payment of £1225.59 would be issued 10 days after the letter to the account they held on file.

Mr B was on holiday visiting family at the time, and when he returned on 28 July 2024 and opened the letter he emailed UKI and told them not to send the money to the account, but to send him a cheque, as he has no access to the account.

On 15 August, having heard nothing, Mr B emailed again and complained.

In their complaint response, UKI said that they sent Mr B an email on 30 July responding to his email of 28 July, but it seems to have been lost. They have also advised that the information in the response was incorrect in any event, saying that a cheque had been issued on 26 July.

UKI's records show that the letter was actually about the payment posted to Mr B on 18 July. The payment details were uploaded to BACS on 23 July and payment was made on 26 July by BACS. So, from the time the letter was posted till the time the payment was made was only 8 days – not 10 - including a weekend.

Given that it was two years since the claim was settled, and they were notifying him by post, I don't think that 8 days is sufficient time for a customer to be able to respond to a letter of such importance, and in any event, isn't in line with what UKI said they would do in the letter, so I don't think UKI have acted fairly here.

If Mr B was still using that account, none of this would have been an issue, but unfortunately, due to difficult personal circumstances, Mr B no longer has access to the account into which the funds were paid due to debt, which is why, if he had been given sufficient notice, he would have changed the payment request to a cheque.

Whilst I appreciate that UKI didn't know this and did perform a check to see if the account was still open, they have disadvantaged Mr B by making the payment early.

As the money has been paid into an account that was in debt, Mr B has still felt the benefit of the refund in that it has reduced his overall indebtedness, but he has lost the choice of receiving the money and being able to decide whether and how much to use towards that debt. His financial position is still difficult and that lump sum would have made a difference to him personally at the present time.

And so, I'm satisfied that the impact of UKI's actions on Mr B were more significant than they might have been due to his debt, and so an award of distress and inconvenience at the higher end of the scale is appropriate, and I agree with the investigator that £250 more fairly reflects the impact here.

Putting things right

To put things right, UKI should pay Mr B an additional £150 by cheque for the distress and inconvenience caused.

My final decision

My decision is that I am upholding Mr B's complaint about UK Insurance Limited trading as Direct Line Insurance and directing them to put things right as above.

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

Joanne Ward
Ombudsman