

The complaint

Mr W complains that U K Insurance Limited trading as NIG (“UKI”) unfairly cancelled his insurance policy.

What happened

Mr W has commercial van insurance with UKI.

In March 2023 his vehicle was hit by a third party while it was waiting at a red traffic signal. Mr W reported the matter to his insurer.

Mr W was unable to drive the vehicle until he’d arranged the repairs and obtained a new MOT certificate. While he was arranging the repairs, Mr W’s policy was cancelled due to him not providing UKI with the documentation it requested. Mr W contacted UKI to see if a refund was due given the cancellation, but he was told there wasn’t because there was still an open claim on the policy.

In July 2024 Mr W purchased another policy with UKI through a price comparison website. The insurer became aware of the previous policy being cancelled so it issued Mr W with a seven-day cancellation letter, and the policy was cancelled on 19 July 2024. Mr W was issued with a refund less the cancellation fee.

Mr W wants both cancellations to be removed from his record because he’s finding it difficult to obtain reasonable motor insurance. So, he complained to UKI.

UKI say after the initial incident, Mr W agreed to provide a new MOT certificate to show the vehicle was roadworthy, but he failed to do so. So, it issued a seven-day cancellation letter and cancelled the policy when it didn’t hear from Mr W. When he took out a further policy the following year he failed to declare this cancellation, so it cancelled that policy too. Mr W didn’t agree this was fair so referred his complaint to this service.

Our investigator concluded UKI acted fairly in cancelling the policy. She said UKI told Mr W it would cancel his first policy if it didn’t receive the MOT certificate, so that’s what it did. UKI provided its underwriting criteria that showed if it had known about the previous cancellation, on the second policy Mr W took out, it wouldn’t have offered him cover.

Mr W didn’t agree. He said UKI didn’t tell him there was a deadline to get his MOT sent to keep his first policy live, so he feels he was misled. Mr W also says he didn’t receive any emails or letters to tell him about the cancellation. So, the complaint has come to me to decide.

My provisional decision

In March 2025 I issued a provisional decision on this complaint, a copy of my findings is below;

"It would be helpful to explain we aren't the regulator and can't tell a business what processes and procedures it should have in place. My role is to look at whether UKI acted fairly and reasonably, and within the terms of the policy."

First cancellation

The terms and conditions of Mr W's cover allow UKI to cancel the policy in certain situations. One of the examples is, "failed to supply requested validation documentation". The terms go on to say, "Before we cancel your policy we'll send you seven days written notice to either the email address or postal address last notified to us."

I have reviewed the call from 25 April 2023, during which Mr W contacted UKI to discuss his claim. The agent informed him that he was currently insured to drive the vehicle but, to maintain the policy, he needed to submit his MOT certificate to confirm the van's roadworthiness. Mr W agreed to provide this; however, UKI did not specify a deadline for submitting the updated MOT.

On the same day, UKI wrote to Mr W. The letter says, "in order to continue with the policy you need to provide us with an MOT post-accident to confirm the vehicle is road worthy". UKI didn't provide Mr W with a deadline by which it needed to receive the MOT certificate or explain that if the certificate wasn't received it would cancel the policy.

On 9 May 2023, UKI informed Mr W that it would cancel his policy seven days from the date of the letter due to the MOT not being received. On 16 May 2023, UKI confirmed that his policy had been cancelled. While UKI acted within the terms of the policy, I do not believe this has resulted in a fair outcome.

Mr W's preferred method of communication is email, and I have seen evidence that letters were sent to him via email. However, Mr W claims he did not receive any emails, calls, or voicemails warning him about the cancellation. UKI states that correspondence regarding the cancellation was emailed to Mr W and also uploaded to his online portal. Since Mr W did not activate his online portal for either policy, I do not believe relying on the portal to deliver these letters was fair. Therefore, I am not convinced that UKI did enough in this situation.

We think its good industry practice for the insurer to use the means of communication that reflects the consumer's communication preference to warn them about the cancellation and to confirm the policy has been cancelled. UKI emailed the letter to Mr W, but he says he didn't receive it. Owing to the implications of having a policy cancelled and the risk of not receiving the cancellation letter, we also think its good industry practice for an insurer to use two means of communication, such as letter or phone call. I don't think uploading a letter to a portal the consumer isn't using is an effective method of communication.

Mr. W informed us that the repairs on his van were completed on 11 May 2023, as this was the earliest date he could arrange due to delays in sourcing parts and his mechanic's availability. He stated that once the van was repaired, he promptly booked its MOT, which took place on 17 May 2023. The van successfully passed its MOT test on 24 May 2023. Given these circumstances, I find this timeline reasonable for Mr. W to secure the necessary parts, complete repairs, and obtain the MOT certificate. While I acknowledge that UKI couldn't keep the policy open indefinitely, there was only a matter of weeks between the policy cancellation and Mr. W obtaining the MOT certificate. Therefore, I believe UKI acted unfairly by proceeding with a 7-day cancellation when it was aware that Mr. W was actively working to update his MOT.

Having carefully considered this matter, I am not persuaded that UKI treated Mr. W fairly. This is because UKI did not inform him of the deadline for submitting the MOT certificate or

the potential cancellation of his policy if the certificate was not received. I believe that if UKI had provided Mr. W with a specific deadline or explained the consequences of not submitting the certificate, he would have acted sooner or communicated the issues he was experiencing with repairing his van. Since Mr. W uses the van for his work, it is more likely he would have taken steps to ensure his policy was not cancelled if he had been aware of the consequences. At the very least, I think he'd have opted to cancel the policy himself, rather than have UKI cancel it for him.

Second cancellation

The relevant legislation to consider here is the Insurance Act 2015 ("the Act"). Under the Act Mr W had a duty to make a fair representation of the risk when buying his policy. And for UKI to take any action, it needs to show that Mr W didn't do that and made what's known as a qualifying breach. To demonstrate a qualifying breach, UKI would need to show that if Mr W had made a fair presentation of the risk, it would either have not offered Mr W the policy or would have done so on different terms.

In July 2024 Mr W used a price comparison website to take out another policy with UKI. The comparison site asked whether Mr W had ever had an insurance policy declined, cancelled, voided, or had special terms imposed. Mr W answered 'no' and so UKI offered him a policy.

I have seen UKI's underwriting criteria. The underwriting criteria is commercially sensitive information and so UKI are not obligated to share it with Mr W, nor is our service able to describe what it contains. I'm satisfied UKI wouldn't have offered Mr W a policy if it had been aware of the previous cancellation.

When thinking about what is fair and reasonable I don't think UKI have acted fairly in cancelling this policy either. UKI should have been aware of the previous cancellation since it was the insurer who cancelled it. And Mr W can't be in breach of the Act if he hasn't disclosed something the insurer knows, or ought reasonably to have known; as is the case here. So, because there's no qualifying breach, it follows that the subsequent cancellation isn't fair.

Since I'm not persuaded UKI acted fairly in cancelling both policies I've looked at what it needs to do to correct this. UKI therefore needs to remove any record of the cancellations from any internal and external database. I also think UKI needs to refund the cancellation payment Mr W made when the second policy was cancelled. I say this because the initial policy was cancelled unfairly and so the second policy shouldn't have been.

Mr W also explained that as UKI cancelled his policies it affected his job and his ability to earn a living. I have thought about the impact on Mr W of having to declare the cancellations as a result of UKI. Mr W told us he hasn't been able to purchase a new policy since the premiums are too high. I think it's fair to say UKI's handling of this matter caused significant distress and inconvenience to Mr W. So, I think UKI needs to pay Mr W £450 for the distress and inconvenience caused".

Responses to my provisional decision.

Mr W accepts my provisional decision. UKI didn't provide a response.

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 haven't been provided any information from either party which alters the findings set out in my provisional decision. So, the findings set out in my provisional decision are not that of this, my final decision.

Putting things right

In order to put matters right, I direct U K Insurance Limited trading as NIG to;

- Remove any record of both the cancellations from internal and external databases.
- Refund Mr W the fee he paid on cancellation of the second policy.
- Pay Mr W £450 for distress and inconvenience.

My final decision

For the reasons explained above, I uphold this complaint. I require U K Insurance Limited trading as NIG to resolve matters by doing what I have set out above.

UKI must pay the compensation and settlement within 28 days of the date on which we tell it Mr W accepts my final decision. If it pays later than this it must also pay interest on the compensation from the deadline date to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 28 April 2025.

Kiran Clair
Ombudsman