

## **The complaint**

Mr and Mrs G complain that Hastings Insurance Services Limited trading as Hastings Direct ("Hastings") unfairly cancelled their motor insurance.

## **What happened**

The subject matter of the insurance was a small hatchback that had first been registered in 2009.

Mrs G acquired the car in 2016.

From 5 April 2022, Mrs G had the car insured through Hastings (an insurance intermediary or broker) on a multi-car policy underwritten by an associated insurance company.

Mrs G and Hastings renewed the cover for the years from 5 April 2023 and 2024. She also had the additional product of breakdown cover.

The cost for the year from 5 April 2024 was going to be £307.23 which Mr or Mrs G paid. That included an arrangement (or renewal) fee of £20.00 and the breakdown cover of £89.99.

The policy schedule said that it covered Mrs G as the main driver and Mr G as a named driver.

More than halfway through the policy year, Hastings emailed Mr G asking for certain information, namely photographs of the car and his driving licence. He didn't respond.

Hastings cancelled cover with effect from 6 November 2024. Hastings applied a cancellation fee of £45.00 and made a refund of £73.03.

Mr and Mrs G say that they continued to drive the car until 10 November 2024 (Remembrance Sunday) when they found out about the cancellation.

Early in the afternoon of 10 November 2024, Mr or Mrs G took out a replacement policy for the car for the year from 10 November 2024. Mr and Mrs G have also said that they have had to purchase a new breakdown recovery policy.

Mr and Mrs G complained to Hastings that it had cancelled the cover without warning.

By a final response dated 4 December 2024, Hastings accepted the complaint and said it had paid Mrs G £150.00 compensation for the inconvenience caused. Its final response included the following:

*"....we had sent you correspondence on 03.11 and 05.11 in relation to your policy cancellation before cancelling your policy on the 6th of November. However, due to a system issue none of the correspondence had reached you other than the policy cancellation and you were driving uninsured for a few days before realising."*

Mrs G brought the complaint to us in mid-January 2025. She added a complaint that Hastings had handled the complaint poorly, including ringing when she had asked for email.

Hastings responded to us including the following:

*“To summarise my offer:*

- *Increase compensation to £250.00*
- *Confirmation the cancellation is not recorded on any external databases.”*

Our investigator refereed to Hastings as “the insurer” or “your insurer”. He told Mr and Mrs G of the offer, including the following:

*“Your insurer has also confirmed that the cancellation of your policy has not been recorded on any external databases, this means you do not have to declare a cancelled policy when searching for insurance quotes.*

*If you have already declared a cancelled policy to you new insurer, then you should contact them and ask them to remove the cancelled policy from their records, this should allow your new insurer to re-price your new policy and issue a refund of any additional premiums you may have paid as a result of declaring a previously cancelled policy.”*

Mrs G didn't accept Hastings' offer.

Mr G formally joined in the complaint to us.

Our investigator said that he couldn't look into the part of the complaint about complaint handling.

Otherwise, our investigator recommended (in late February 2025) that the complaint should be upheld in part. He thought that the total compensation of £250.00 was fair and reasonable. However he thought that Hastings should refund the cancellation fee and provide a pro-rata refund for the breakdown cover including the arrangement fee.

The investigator recommended that Hastings should:

1. pay an additional £100.00 compensation;
2. pay £45.00 plus 8% simple interest from the date they charged the cancellation fee to the date the payment is processed;
3. provide a pro-rata refund for time the cover was not used for the breakdown cover policy, this should include a pro-rata refund for the breakdown cover itself (total of £89.00) and the arrangement fee (total of £20.00), this should also be paid along with an additional 8% simple interest from the date of cancellation to the payment date.

Hastings provided further information. It said that the £20.00 arrangement fee was not refundable and that it had already provided a pro rata refund of the breakdown cover.

Our investigator still recommended (in early March 2025) that the complaint should be upheld in part. However, he changed his recommendation. The investigator recommended that Hastings should:

1. pay an additional £100.00 compensation;
2. pay £45.00 plus 8% simple interest from the date they charged the cancellation fee to the date the payment is processed.

Mr and Mrs G disagreed with the investigator's second opinion. They asked for an ombudsman to review the complaint. They say, in summary, that:

- Hastings' actions were inappropriate.
- Their employers require them both to drive.
- Driving without insurance had the potential of being heavily penalised or losing their driving licences, with serious consequences on their ability to undertake their jobs.
- Hastings' offer of compensation is not commensurate with the potential impact their actions could have had.

### **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.

The Financial Conduct Authority's dispute resolution rules bind the Financial Ombudsman Service. We may investigate a consumer's complaint about acts or omissions in regulated activities of a regulated firm.

One of the rules is that before we can investigate a consumer's complaint, the consumer must first have made that complaint to the firm and waited for up to eight weeks for a final response.

It sometimes happens that a consumer makes a complaint to the firm, receives a final response and brings the complaint to us – with the addition of new points of complaint. In such circumstances, we can deal with the initial complaint, but the rule applies to the new points so we can't deal with the new points at the same time.

Where we uphold a complaint about unfair acts or omissions, we look at their impact on that consumer. We may direct the firm to put right that impact by paying compensation for financial loss or for distress and inconvenience.

We assess compensation by reference to the actual impact on that consumer. We don't assess compensation at a level intended to deter or punish unfair acts or omissions.

I don't condone Hastings' mistakes in its attempted communication with Mrs G to impose a deadline for provision of information and to give notice of cancellation. I find the cancellation was unfair.

I accept that the arrangement (or renewal) fee of £20.00 was not refundable under Hastings' terms, so, notwithstanding that the cancellation was unfair, I don't find it fair and reasonable to direct Hastings to make any refund of that fee.

After charging the £20.00 arrangement fee and refunding the £45.00 cancellation fee, Hastings will only have charged Mrs G about £169.00 for the insurance cover from 5 April to 6 November 2024 (about seven months). I'm satisfied that this is a fair and reasonable charge pro rata for that time on cover for both the motor insurance and the breakdown insurance. So I don't find it fair and reasonable to direct Hastings to make any further refund.

I accept that part of the impact on a consumer may be a concern about what the impact might've been in other circumstances.

So I accept that the impact on Mr and Mrs G included that they were troubled by the thought that police could've stopped the car and prosecuted them for driving without insurance, which would've resulted in a fine and penalty points. I accept that they were also genuinely troubled that the driver might have lost their licence (although I find that was unlikely unless they already had penalty points).

The impact on Mr and Mrs G also included that they missed a Remembrance Sunday service because they spent that morning urgently finding other motor insurance.

I don't think that Mrs G complained to Hastings or provided any evidence to us that the replacement insurance was more expensive than Hastings' cover would have been for the period to April 2025. So I won't direct Hastings to pay compensation for any such extra cost.

I haven't seen enough evidence that, after her initial complaint to Hastings but before its final response, Mrs G made a further complaint to Hastings that it had telephoned instead of emailing her in response. So – although she later made that further complaint to us, the rule I've outlined doesn't allow me to deal with that complaint in this final decision.

Hastings tried to put things right with a payment of £150.00. However, I don't consider that this was enough in line with our published guidelines for compensation for distress and inconvenience.

### **Putting things right**

I've thought about directing Hastings to write a letter to Mrs G (which she could show to current and future insurers) saying that it cancelled her cover in error and that it would remove any adverse entries from databases.

However, I'm satisfied that it's enough that Mrs G has the benefit of Hastings' final response recording its "*system issue*", Hastings' confirmation that the cancellation is not recorded on any external databases and my final decision that the cancellation was unfair.

Keeping in mind the nature and duration of the impact on Mr and Mrs G, I'm satisfied that Hastings' improved offer of a total of £250.00 was fair and reasonable for distress and inconvenience. As I don't think Hastings has yet paid the extra £100.00, I will direct it to do so.

Following the investigator's first opinion, it's common ground that Hastings should - in addition - refund the cancellation fee of £45.00 with interest at our usual rate. As Mrs G has been out of pocket since about 6 November 2024, I find it fair and reasonable to direct Hastings to pay interest from that date.

### **My final decision**

For the reasons I've explained, my final decision is that I uphold this complaint in part. I direct Hastings Insurance Services Limited trading as Hastings Direct to pay Mrs G:

1. jointly with Mr G and in addition to its payment of £150.00 and insofar as it hasn't already paid it, a further £100.00 for distress and inconvenience; and
2. in addition to its previous refund, a further £45.00 for the cancellation fee;
3. simple interest on the further refund of £45.00 at a yearly rate of 8% from 6 November 2024 to the date of payment. If Hastings considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mrs G how much it's taken off. It should also give her a certificate showing this if she asks for

one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G and Mrs G to accept or reject my decision before 13 August 2025.

Christopher Gilbert

**Ombudsman**