

The complaint

Mr B complains that Acorn Insurance & Financial Services Ltd ('Acorn') cancelled his car insurance policy.

What happened

In September 2023, Mr B took out a car insurance policy through Acorn, who are an insurance broker. In exchange for the policy, Mr B was required to pay a total premium of £2,578.13 at the start of it.

To pay for this premium, Mr B took out a finance agreement with a third-party finance company (who I'll call 'G'). G paid the full annual premium on Mr B's behalf, and in return the finance agreement required Mr B to repay G through fixed instalments collected on the sixteenth of each month by direct debit.

In April 2024, Mr B's direct debit payment failed. So, Acorn wrote to him by email and SMS on 17 April 2024 to inform him about this saying that he was in breach of his finance agreement, and it required him to pay the outstanding instalment of £254.10 before midnight on 1 May 2024 or his policy would be cancelled.

Acorn did not receive a response to this, so it sent chasers by email and SMS on 24 April 2024, 27 April 2024 and 1 May 2024 saying the same thing. Mr B did not respond to these either. So, as the payment remained outstanding, Acorn cancelled the policy with effect from 1 May 2024 and wrote to Mr B by email on 2 May 2024 to confirm this.

On 22 May 2024, unaware that his policy was cancelled, Mr B contacted his insurer to make a claim following the theft of his car. But, on 29 May 2024 he was informed that because his policy had been cancelled, the insurer could not assist with this claim. In response, Mr B complained about the policy cancellation.

Mr B said that he was unaware of the payment issue because he was admitted to hospital on 13 April 2024 due to a mental health crisis and liver failure after trying to take his own life. And, because his mobile phone was destroyed the day prior to his hospital admission, he wasn't contactable except in person while he was in hospital. Although Mr B was discharged from hospital on 25 April 2024, he said he had received no correspondence about his insurance policy, so had no reason to believe anything was wrong with it.

Acorn provided a final response to Mr B's complaint on 28 August 2024. It said Mr B had been sent multiple emails about the failed payment and had previously informed Mr B all policy information would be sent by email, so he would need to inform it if his email address ever changed. But it couldn't find any record that after the policy inception Mr B had asked to change his contact details. So, it thought the policy had been cancelled correctly.

However, it acknowledged that during a phone call, Mr B had wrongly been informed that direct debit payments would be reattempted. So, in recognition of this, it offered to pay Mr B £25 compensation.

Dissatisfied with this response, Mr B brought his complaint to us. Our investigator didn't think Acorn had acted unfairly. He didn't think Acorn had acted unfairly by cancelling the policy because it had sent multiple emails to Mr B informing him of the payment issue but there was no evidence to show he had contacted it before the deadline. And, although he acknowledged the health problems Mr B had explained, he didn't think there was anything to show Mr B had reached out to Acorn to make it aware of this. Additionally, he thought the £25 compensation Acorn had offered for the incorrect advice it gave about reattempting to take a direct debit payment was reasonable.

Because Mr B didn't agree, the complaint was referred to me to decide.

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, while I understand Mr B will be disappointed, I find that Acorn has already provided a fair and reasonable response to his complaint. So, I won't be asking it to do anything more. I'll explain why.

Firstly, I want to thank Mr B for sharing the difficult circumstances he has been through and offer my sympathy for what I don't doubt has been an immensely challenging experience.

I'll be focussing in this decision on whether Acorn acted unfairly by cancelling the policy, and in how it went about doing this. I realise after the policy was cancelled Mr B's claim for the theft of his car was declined. But it would have been for the insurer of the policy to decide on any claim. So, if Mr B thinks the claim wasn't fairly dealt with, he'll firstly need to make a complaint directly to the insurer of the policy.

As I set out earlier, Mr B took out a loan to pay for his insurance policy. The welcome letter he was provided when he took out the policy said that he was required to pay monthly instalments of £229.12 on the 16th of every month. The Terms of Business document says that if a direct debit payment isn't made on time, the customer is required to make a payment directly to G using an internet based portal to avoid the cancellation of their credit agreement.

In addition to which, the Terms of Business say if the account is not brought up to date, G will cancel the credit agreement to avoid increasing the debt, and as a consequence of this, the insurance policy will be terminated.

So, under the terms of the credit agreement Mr B took out to pay for his policy, Acorn was entitled to cancel the agreement in the event of non-payment of an instalment, which in turn would cause the insurance policy to be cancelled.

I don't find that to be unusual. Ultimately, Mr B was required to pay the instalments and were he not to do so, a debt would accumulate. Consequently, to avoid that happening, the terms allowed Acorn to cancel the credit agreement.

Although Mr B says he had never missed any payments previously, I don't think it's in dispute that there was an issue on his side with the April 2024 instalment. Mr B says that while he was in hospital his family and partner were looking after his financial situation and put money into his account on 17 April 2024 to cover his instalment that month. But given the payment was due on 16 April 2024, that would have been too late.

While non-payment of the instalment entitled Acorn to cancel the agreement, it needed to treat Mr B fairly in how it went about doing this. So, I've considered if it did. Having done so, for the following reasons I don't find Acorn treated him unfairly:

- It's provided evidence to show that it contacted Mr B by two different methods to alert him to the problem with the payment – email and SMS. Given the consequences to a customer of having a policy cancelled, it's good industry practice for an insurer to contact a customer using more than one method of communication to alert them to a problem and the potential for their policy being cancelled.
- Looking at the emails Acorn sent, I think it clearly explained the payment issue and what Mr B needed to do to amend it, and that failure to do so would result in the cancellation of the policy on 1 May 2024.
- It contacted Mr B on four different occasions using email and SMS and allowed a timeframe of two weeks for the payment issue to be rectified. So, I think made reasonable attempts to inform Mr B about the problem and gave him a reasonable opportunity to put it right.
- It provided Mr B information upfront when he took out the policy in the Terms of Business arrangement, which said cancellation would be communicated by email, and hence it was important for the customer to contact it if their email address changed.

I don't dispute the difficult circumstances Mr B was facing while he was in hospital between 13 April 2024 and 25 April 2024, and I acknowledge his explanation why he wasn't contactable during this time due to his phone having been destroyed the day before he was admitted to hospital.

But Acorn weren't informed Mr B was in hospital at the time or that he didn't have access to his phone or emails while there. It didn't know about this until after the policy was cancelled. So, I don't think it could have acted differently in the steps it took to try and avoid the policy being cancelled.

Ultimately, Acorn were responsible for administering the policy including managing the monthly payments and were entitled under the terms to cancel the agreement in the event of a failed payment. A payment issue arose in April 2024 which wasn't caused by Acorn. It contacted Mr B in the way it said it would, and through a second method, to inform him of this issue and what he needed to do to avoid his policy being cancelled, and it did so on several occasions. And although Mr B didn't respond to this because of the circumstances he was in at the time, Acorn did not know about these circumstances and so could not have acted differently.

So, while I sympathise with Mr B, in the circumstances I don't find Acorn acted unfairly because it was entitled to cancel the agreement due to the failed payment and prior to doing so it took reasonable steps which were in line with what I'd expect to try to avoid the need for cancellation.

Acorn said that following the cancellation, Mr B was told in error that after the direct debit initially failed, it would have reattempted to take the payment. It's since clarified it would only have tried to take the direct debit payment once and if the payment failed, Mr B would then have needed to manually make the payment. In recognition of the mis-advice, it offered Mr B £25 compensation.

The Terms of Business show that if a direct debit payment fails, it would not be reattempted, and the customer instead would need to make the payment directly to G. In addition to which, the emails Acorn sent to Mr B informing him of the payment issue are also clear that to avoid the cancellation and pay the missed instalment, Mr B would have manually needed to make the payment using a debit or credit by following a link contained in the email to an online payment portal.

So, I'm satisfied the process was clear and Acorn never would have attempted to take the direct debit more than once. But it's reasonable to expect after his policy was cancelled Mr B would have wanted a clear understanding of why and how that happened and by causing him to think the direct debit would have been attempted more than once, I think that unnecessarily caused some confusion and upset. But I think an apology and £25 compensation was in line with our award levels and a fair and reasonable response to the upset caused by this error.

My final decision

I don't uphold the part of the complaint about the policy cancellation.

For the incorrect advice it gave about the number of attempts it would make to collect a direct debit payment Acorn Insurance & Financial Services Ltd has already offered to pay Mr B £25 compensation which I find fair in all the circumstances. So, if it has not already done so, I require Acorn Insurance & Financial Services Ltd to pay Mr B £25 for this part of the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 8 August 2025.

Daniel Tinkler
Ombudsman