DRN-5608978

The complaint

Mr G complains against One Insurance Limited about a decision that led to the cancelation of his motor insurance policy.

What happened

Mr G obtained cover from One Insurance through a broker. Shortly after the cover was taken out, the broker completed checks on the industry database, CUE, which showed that Mr G had a claim outstanding under a previous policy. When updating the details on its quote software the result came back that One Insurance would not have offered cover to Mr G if he had originally declared an outstanding claim. The broker contacted Mr G to notify him that his policy would be cancelled. To avoid the potential negative impact of having a policy cancelled by an insurer, Mr G elected to cancel it himself and was charged a cancellation fee for doing so.

Mr G was unhappy with how he had been treated. He explained that the previous claim had, in fact, been resolved as a non-fault claim, and that he had declared it when applying for the policy. It transpired that the claim remained outstanding due to the previous insurer having not completed its own activity to recover all of its costs and update CUE accordingly. As a result, it was considered as a claim for which Mr G could be held to be at fault.

Mr G argued that he had been treated unfairly and that he should not be held responsible for a claim being deemed outstanding due to issues beyond his control. He felt that he had done nothing wrong when applying for a policy and that he had been forced to cancel the policy under threat of a potentially more damaging cancellation from the insurer.

When this service came to investigate the complaint it became apparent that Mr G's dissatisfaction with how he'd been treated had not been recorded and dealt with under One Insurance's formal complaints process but it has consented to this service considering the complaint.

Our investigator felt that Mr G had been treated unfairly and that he should not have been threatened with the cancellation of the policy as he had not made any misrepresentation when taking out the policy. As a result, she took the view that the complaint should be upheld and that Mr G should be compensated by the repayment of the fees he had incurred when cancelling the policy. One insurance are unhappy with that outcome and have requested that an ombudsman consider the matter.

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 come to the same conclusion as the investigator. I agree that Mr G was treated unfairly and that this complaint should be upheld.

One Insurance have argued that any error was on the part of the broker against whom the

complaint should be considered. It is the view of this service that in such cases the broker is acting on behalf of the insurer, in this instance actioning the underwriting rules that it was provided with by One Insurance.

When Mr G received the notice of intention to cancel he was told that it was due to a change in circumstances. In fact, nothing had changed since he applied for the policy. What had been discovered was that a previous claim remained open on CUE. Mr G had disclosed the existence of the claim when applying but it was being suggested that he had disclosed the wrong information about the claim.

The Consumer Insurance (Disclosure and Representations) Act 2012 known as CIDRA, establishes the rules that require consumers to take reasonable care not to make a misrepresentation when taking out a consumer insurance contract (a policy). The standard of care is that of a reasonable consumer. And if a consumer fails to do this, the insurer has certain remedies provided the misrepresentation is - what CIDRA describes as - a qualifying misrepresentation. For it to be a qualifying misrepresentation the insurer has to show it would have offered the policy on different terms or not at all if the consumer hadn't made the misrepresentation.

CIDRA sets out a number of considerations for deciding whether the consumer failed to take reasonable care. And the remedy available to the insurer under CIDRA depends on whether the qualifying misrepresentation was deliberate or reckless, or careless

One Insurance has argued that CIDRA was not applied in this instance as Mr G cancelled his own policy. But it is clear that the reason he did so was because he was threatened with enforced cancellation. For me to reach the right conclusion to this complaint I must consider all of the factors affecting the outcome, including what should have happened rather than simply what did happen.

The cancellation notice was wrongly described as due to a change in circumstance, but it was actually issued in response to an alleged misrepresentation. And so it follows that the actions which should have been taken are covered by CIDRA and are those which I must consider in making my decision.

In the circumstances of this case it is my view that Mr G had not, in fact, misrepresented the position of the previous claim. This service has not been provided with the precise form of questions asked when he completed his application. But the statement of facts shows that he declared that he had a previous non fault claim and that it was recorded as "Pend? No", which I take it to mean as answering "no" to the question of whether the claim was still "pending".

It's clear that Mr G's claim had been settled previously as a non-fault claim and he had no information available to him to suggest that anything remained outstanding. I take the view that in answering as he did he was meeting the standard, required by CIDRA, of having taken reasonable care. As a reasonable consumer he could not be expected to know that the industry database showed the claim as still open, and presumably therefore what One Insurance classified as "pending". I have been provided with no evidence to justify a different conclusion.

If the correct process had been followed then Mr G would not have been threatened with cancellation on the basis that he had not made a qualifying misrepresentation.

This case has been confused by the fact that CIDRA should have been applied, but wasn't. And that has carried over into One Insurance's response to the outcome reached by the investigator.

The investigator recommended that One Insurance should pay Mr G the costs he had incurred when cancelling his insurance policy. This was to put him back in the position he should have been in had the mistake not been made. One Insurance has argued that if CIDRA were being applied then there would be different remedies laid down which would allow the retention of the fees that Mr G had paid. However, the fact remains that if this matter had been dealt with properly from the start then Mr G would not have been in the position he was. Remedies prescribed by CIDRA do not apply as there was no qualifying misrepresentation.

I agree with the investigator that the correct outcome is for One Insurance to reimburse Mr G for his financial loss incurred when cancelling his insurance.

Putting things right

One Insurance should pay Mr G compensation to cover the costs of £49.99 that he incurred when cancelling his policy. This sum should be paid along with simple interest of 8% from the date on which he paid the fee to the date on which One Insurance makes reimbursement.

One Insurance should repay any additional fees which it may have retained on the same basis as the above.

My final decision

I uphold this decision against One Insurance Limited and require it to pay £49.99 plus simple interest of 8% from the date of the original payment by him to the date of repayment by One Insurance Limited. It should also repay any additional fees which it may have retained, under the policy, on the same basis.

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

John Withington
Ombudsman