DRN-5614346

The complaint

Ms K complains that Aioi Nissay Dowa Insurance UK Limited trading as Toyota Motor Insurance (ANDI) charged her incorrect amounts after amending her policy and cancelling it.

What happened

Ms K took out a policy with ANDI in 2023. In June 2024 the policy auto-renewed and her premium increased to around £1,670.51. Ms K was paying by direct debit in 11 monthly instalments. The credit provider, which allowed Ms K to pay her premium in instalments, added a transaction fee making the full premium for the year £1,916.91.

Ms K's payments were scheduled to be around £174 a month beginning on 2 June 2024. The bank was unable to take the direct debit in June 2024, so the amount defaulted.

Over the ensuing weeks Ms K spoke with ANDI on a number of occasions about her payments. She also spoke with the credit provider.

On 11 July 2024 ANDI processed a change to Ms K's policy. That caused her premium to increase by around £994. So, after applying a charge for credit, the total yearly amount owing for her policy was £3,059. ANDI amended Ms K's monthly payments to £278 a month, backdated to June.

At that point Ms K had not made payment for June or July.

Ms K also told ANDI she wanted to claim for an non-fault accident which happened in March 2024 during her previous policy year.

In August 2024 the credit provider tried to take three instalments of £278 (for June, July and August). Ms K's bank only paid one of those instalments of £278.

Ms K contacted ANDI and said that her payment for June should have been £174 not £278. Over a series of calls between Ms K, ANDI and the credit provider, ANDI maintained that it had applied its charges correctly.

In the meantime, ANDI looked into Ms K's claim from the March 2024 incident. It said it would split that into two. It said there was damage to the front of the car which it didn't think was accident related so it couldn't claim for those costs from the other driver's insurer. It said it would deal with the damage to the side of the car on a non-fault basis but would look at the second claim, for the damage to the front of the car, as being on a fault basis. While Ms K maintained that all the damage arose from the same incident she told ANDI to go ahead and proceed with two claims, although I understand she complained[1].

ANDI said that Ms K's car was uneconomical to repair. So it said it was a total loss and settled her claim on that basis. Ms K told ANDI she wasn't adding another car to her policy and wanted to cancel it. But she was still disputing that the £278 figure it had charged her for June 2024 was correct. ANDI told her that if she cancelled her policy that day, 21 August 2024, she would still owe it around £384. It then advised her to speak with the credit provider. The credit provider told her ANDI hadn't given it a new payment instruction and told her to speak with ANDI again.

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[1] As far as I'm aware Ms K has not asked the Financial Ombudsman Service to look into the substance of that complaint and I make no findings about it in this decision.

Around two weeks later, ANDI told Ms K that as she hadn't made outstanding payments for August and September it would cancel her policy. It did so on 10 September 2024. It wrote to her saying that she had an outstanding balance of £555.17.

Ms K instantly said that the cancellation date was wrong and so was the balance outstanding figure. She complained. ANDI didn't agree that the cancellation date was wrong. But it acknowledged that some of its customer service could have been better. So it said it would waive £100 of the outstanding balance, which it said stood at £641.58.

Ms K brought her complaint to the Financial Ombudsman Service. One of our Investigators looked into it. He didn't think ANDI had treated Ms K fairly. He noted that, when providing its complaint summary to us, ANDI had said it had miscalculated the amount owing and said it should be the full policy premium of £2,576.76 (because of the claims).

Our Investigator didn't think it was fair for ANDI to charge the full premium for the year. He recommended that it should recalculate the outstanding balance up to 21 August 2024 when Ms K asked it to cancel the policy. He added that it should pay her compensation of £200 for the distress and inconvenience it caused.

ANDI didn't reply to our Investigator's complaint assessment, so the matter's been passed 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.

I have some sympathy for the position Ms K finds herself in. She's explained that at the time her policy auto-renewed in 2024 she was unwell. She said she'd previously been paying around £106 a month and hadn't expected it to increase to around £174. As a result her bank account didn't have enough funds to pay the direct debit in June 2024 and this led to the cancellation of her credit agreement. This meant that her payment, due on 2 July 2024 also wasn't paid.

While Ms K was attempting to sort this out, ANDI also asked her to clarify some details. Having made those changes ANDI applied a mid-term amendment to her policy. That caused the premium to increase, as of 11 July 2024. The total annual premium, including the credit provider's charge for the credit, was around £3,059.

Given that Ms K had previously been paying £174 a month, she expected that would still be the amount she owed for payments due on 2 June and 2 July, both of which were initially set at £174. Indeed she offered to pay £174 during a phone call on 24 July 2024. ANDI refused that offer. At that point, given that she had yet to make any payment for June and July 2024 her account was in arrears.

It seems that Ms K had expected ANDI, or its credit provider, to recalculate her premium owing from August 2024 onwards. So it's likely she expected her account to show as £174 owing for June, £174 owing for July, with the recently adjusted amount owing for August and monthly thereafter. Alternatively Ms K might have expected ANDI or its credit provider to negotiate with her to apportion the outstanding balance of (2 x £174) £348 across the remaining nine premium instalments due from August 2024 until April 2025.

If it had taken either approach above then it could have either:

- asked Ms K to pay two payments of £174 (£348) owing for June and July and then pay the remaining monthly instalments from August 2024 of £301; or
- increased Ms K's monthly payments to around £340 from August 2024 to April 2025, with nothing owing for June and July.

Either of the above methods would have still resulted in Ms K paying the full £3,059 owing for the full policy year. But ANDI didn't do either of those things. Instead it divided the full yearly amount owing into eleven instalments of £278. But backdated those instalments to 2 June 2024. It then attempted to take three instalments (for June, July and August 2024) of £834 on 2 August 2024.

It's not clear if Ms K thought that ANDI had backdated the premium increase to 2 June 2024, when that had only happened from 11 July 2024. But even if that's not the case I can understand why Ms K felt that ANDI demanding three higher payments in one go and increasing the amounts she owed from months that had already passed, wasn't fair. I can also see why she might not have had those funds available at the time. But, from the calls I've listened to, it appears that ANDI didn't appreciate the points she was making here. And on a number of occasions it advised her to speak with the credit provider. But the credit provider was only doing what ANDI had told it to do. So it was of little help to her and simply told her that ANDI hadn't sent it amended instructions and she should speak with it. I think this led to a certain amount of confusion for Ms K as well as frustration.

Eventually, after ANDI told Ms K that her car was a total loss, on 21 August 2024, she said she didn't intend to add another car to the policy and wanted to cancel it. ANDI told her that, after deducting the £278 she had paid, that she would owe a remaining balance of £384. It then told her to speak with the credit provider. It's not at all clear to me why it advised her to call the credit provider. And having listened to the call with the credit provider, I don't think the call handler understood the purpose of the call either. I think Ms K was expecting to be told how she should go about paying the outstanding balance. But the credit provider seemed to think ANDI should have sent it a revised payment instruction, which it hadn't done.

Ms K then spoke with ANDI again. It said it would arrange a call back for Ms K. But I don't think she understood the purpose of that call when it was eventually made. Ms K seemed to think it was about the status of her claim. It wasn't. But, in the meantime, ANDI hadn't processed the policy cancellation and the policy had been left in place, when I think Ms K, not unreasonably, expected ANDI to have cancelled it.

But because ANDI hadn't cancelled the policy and Ms K's bank didn't pay the mandate in September 2024 ANDI cancelled her policy from 10 September 2024. It initially told Ms K that she still owed it a balance of £555. But, in its response to her complaint, ANDI then said that the outstanding balance figure was £641.

I don't think ANDI has dealt with the cancellation date fairly. Ms K was clear in her phone call of 21 August 2024 that she wanted to cancel the policy. By that time ANDI had deemed her car a total loss and Ms K didn't wish to insure it. As I've indicated above, matters became confused because Ms K was still disputing ANDI's demand that she pay £278 for June 2024, when she thought the figure should have been £174. But that dispute shouldn't have affected the date of cancellation. And rather than advising Ms K to speak with the credit provider, ANDI would have been better served to provide a breakdown of the figures outstanding. That should have clearly shown that it was only charging her for her time on cover and how this figure had increased from 11 July 2024 and not before.

But ANDI didn't take the above action. It didn't act reasonably. Instead it put the cancellation on hold. And, because Ms K didn't pay the September instalment – most likely because she believed the policy was cancelled and was waiting for an amended payment schedule – ANDI then cancelled the policy itself. But it used the date it took that action, 10 September 2024, as the date of cancellation. So it then calculated how much Ms K owed up to that date, when Ms K had wanted it cancelled weeks earlier from 21 August 2024. I don't think that was fair. Ms K had been clear that she wanted to cancel the policy. ANDI only didn't do this because of the confusion over the balance owing from June and July 2024. As I've already said that shouldn't have prevented the policy from cancelling.

So as I'm satisfied that ANDI handled the policy cancellation date unfairly it needs to recalculate the amount owing for Ms K’s time on cover between 2 June 2024 until the correct date of cancellation on 21 August 2024. It should provide her with a clear breakdown of that calculation including the sum for her time on cover between 2 June 2024 and 10 July 2024 and the premium owing for the remaining period. It will also need to set out any other charges applying and deduct any payments Ms K has made.

I’ll add that when ANDI’s provided its complaint summary to the Financial Ombudsman Service it told us that, because of an open fault claim Ms K would be required to pay the full premium balance for the policy. But that is not fair. The claim Ms K made for the damage to her car happened in the previous policy year beginning in 2023. So she did not benefit from a claim against her policy beginning in June 2024. As a result it is only fair for ANDI to charge her for her time on cover (up until 21 August 2024) and not for the full policy year.

Also, given that Ms K had clearly intended to cancel the policy herself before ANDI did so, I think it’s fair that ANDI records the policy cancellation on its own and any external database as cancelled by Ms K herself rather than by ANDI.

Ms K has not told us that ANDI cancelling her policy has had any other detrimental effect on her. But it’s apparent from considering the evidence on file that the matter of the sums that ANDI has charged her has caused Ms K numerous problems as she struggled to put her position across. Also ANDI unfairly set the date of cancellation and has at times provided confusing demands for payments with conflicting amounts. So I've set out below how ANDI needs to put things right.

Putting things right

I require Aioi Nissay Dowa Insurance UK Limited trading as Toyota Motor Insurance to:

- Recalculate the amount owing for Ms K’s time on cover between 2 June 2024 until the correct date of cancellation on 21 August 2024.
- Give Ms K a clear breakdown of the above calculation including the sums for her time on cover between 2 June 2024 and 10 July 2024 and the premium owing for the remaining period up to 21 August 2024. It will also need to set out any other charges applying and deduct any payments Ms K has made.
- Pay Ms K £200 compensation for her distress and inconvenience arising from the way ANDI has dealt with the matter.

My final decision

For the reasons set out above I uphold this complaint.

I require Aioi Nissay Dowa Insurance UK Limited trading as Toyota Motor Insurance to take the steps set out under the heading of putting things right above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Ms K to accept or reject my decision before 26 August 2025.

Joe Scott
Ombudsman