

The complaint

Mr I complains about the cancellation of his car insurance policy by Advantage Insurance Company Limited ('Advantage').

What happened

Mr I held a car insurance policy underwritten by Advantage. His policy most recently renewed on 14 August 2023 and was being paid for by a monthly direct debit. In February 2024 Mr I updated his payment account details for the account used to pay the direct debit.

In March 2024, Mr I was stopped by the police and his car was impounded as he did not have insurance in place. So, he contacted Advantage and was told that his policy had been cancelled for non-payment of the premium.

Mr I complained about the cancellation, and Advantage provided a final response on 18 July 2024. It said it had written to Mr I by email, letter and text on 4 March 2024, 12 March 2024 and 21 March 2024 to say there was a problem with the 1 March 2024 payment and that if unresolved the policy would be cancelled on 22 March 2024. As Mr I didn't respond, Advantage cancelled the policy on 22 March 2024.

Dissatisfied with this response, Mr I brought his complaint to us. Our investigator didn't think Advantage had acted unfairly. She acknowledged Mr I had provided his new payment details before the 1 March 2024 payment due date but thought that Advantage had made reasonable efforts to inform Mr I there was an issue with the payment before cancelling the policy and that Mr I didn't respond to its requests.

Because Mr I didn't agree, the complaint was referred to me to decide. I issued a provisional decision upholding the complaint, and I said:

"I've began by looking at Mr I's original payment schedule. When Mr I's policy renewed on 14 August 2023, he was provided with a direct debit payment schedule. This showed that when the policy originally renewed, Mr I was due to pay an instalment of £123.29 on 1 March 2024, and showed the bank account details from which this payment would be taken. I'll call this bank account 'Account 1'.

Advantage has provided a screenshot of payments collected. This shows that Advantage successfully collected the premiums from Account 1 for the instalments due on 1 December 2023, 2 January 2024 and 1 February 2024. It also shows that Advantage tried to collect the instalment due on 1 March 2024 from Account 1, but this failed due to the account having been closed.

Advantage said it applied for the 1 March 2024 instalment on 28 February 2024, so the payment was 'in flight' at the time the direct debit mandate was cancelled, and that it couldn't have known the payment would have subsequently failed when it asked Mr I to update his direct debit details.

However, I don't think this aligns with what Advantage told Mr I at the time. Advantage wrote to Mr I on 28 February 2024 and said: "Your bank's told us there's a problem with the Direct Debit for your car insurance, as you cancelled the direct debit". In this letter, Advantage gave Mr I two options to rectify the issue – either set up a new direct debit instruction or pay the outstanding balance of £739.74 in one lump sum. I think this set an expectation to Mr I that the March instalment had already failed, and I think this expectation would have been reinforced by the £739.74 lump sum being inclusive of the 1 March 2024 instalment.

Mr I subsequently set up a new direct debit using his new bank account details. I'll call this bank account 'Account 2'. And Advantage wrote to him on 29 February 2024 to confirm a new direct debit payment schedule had been set up. It asked Mr I in this letter to check if everything was correct, and said "If these details are right, you don't need to do anything". This letter included a new direct debit payment schedule, which included the 1 March 2024 instalment and the details of Account 2.

So, I think based on what Advantage had said to him this point, Mr I reasonably would have expected that the 1 March 2024 instalment had already failed to be collected from Account 1 and would now be collected from Account 2. As such, assuming he had the necessary funds in the account, I don't think he could have foreseen that there would be an issue with the payment of this instalment.

I don't dispute that Advantage didn't receive the instalment for 1 March 2024. And I acknowledge that Advantage wrote to Mr I several times using more than one method of communication prior to the cancellation to alert him that there was an issue with the payment which could result in the policy being cancelled, and that Mr I did not respond to this.

Ultimately, Advantage knew on 28 February 2024 that the direct debit for Account 1 had been cancelled. That should have indicated to it a risk it wouldn't receive the March 2024 instalment. However, Advantage didn't inform Mr I at the time that there might be a problem with that payment, nor did it ask him to take any further action. Instead, after he provided his new bank details, it told him he didn't need to do anything if the details on the new direct debit schedule were correct. Advantage only contacted Mr I after it had been unable to collect the March 2024 payment.

Mr I followed Advantage's instructions before the March 2024 instalment was due and couldn't have foreseen there would be an issue with the payment. And I don't think Advantage hasn't shown that there was nothing more it could have reasonably done – without needing further input from Mr I – to avoid or resolve the payment issue.

So, while I acknowledge that Mr I didn't respond to the cancellation warnings sent after 1 March 2024, I don't think it was reasonable to place the burden on him to resolve the issue when he couldn't have foreseen it and for which Advantage hasn't shown it did anything more itself to avoid or remedy. Accordingly, I think it was unfair for Advantage to cancel the policy.

To put things right, I think Advantage should reimburse Mr I the £192 fee he paid to have his car released from the police impound and it should add interest to this amount. In addition, it should pay Mr I £300 compensation for the distress and inconvenience caused, it should write off any cancellation charges which may have been applied to the outstanding balance for the policy, or reimburse these to Mr I with interest if they have already been paid. It should also remove the record of the cancellation from any internal and external databases, and it should write to Mr I to confirm that the policy was cancelled in error."

Mr I responded to say he accepted the provisional decision, but Advantage didn't provide any 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.

As Mr I has accepted my provisional decision without further comment, and Advantage haven't provided me with anything more to think about, I see no reason to depart from the position I set out in my provisional decision.

So, I've decided to uphold this complaint for the same reasons I set out in my provisional decision.

Putting things right

I require Advantage to do the following:

- Reimburse Mr I the £192 fee he paid for have his car released from the police impound and add simple interest at a rate of eight percent per year from the date Mr I paid this fee to the date of settlement.
- Write off any cancellation charges which were applied to Mr I's outstanding balance following the cancellation of his policy. Or, if Mr I has already paid any cancellation charges, it should reimburse these to Mr I and add simple interest at a rate of eight percent per year from the date the charge was paid to the date of settlement.
- Remove the record of the cancellation from any internal and external databases and provide Mr I with a letter saying that the policy was cancelled in error.
- Pay Mr I £300 compensation for the distress and inconvenience caused.

If Advantage considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr I how much it's taken off. It should also give Mr I a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

My final decision is that I uphold this complaint and I require Advantage Insurance Company Limited to carry out what I've set out in the 'Putting things right' section of this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 23 July 2025.

Daniel Tinkler
Ombudsman