

The complaint

Mrs S complains about how Mulsanne Insurance Company Limited (“Mulsanne”) handled the cancellation of her car insurance policy and the amount of refund it said it would give her.

What happened

Mrs S had a car insurance policy with Mulsanne. She took out the policy in August 2024 when she bought a car. She paid about £1,800 for the policy upfront.

On 8 October, she was involved in a collision with a third party. The third party admitted fault at the scene. Mrs S’s car was deemed beyond economic repair and declared a write-off. The car was taken as salvage and disposed of.

She asked about cancelling her policy and getting a refund. Mulsanne told her that her claim was still ‘open’ and as she’d claimed on the policy she wouldn’t get a refund. But this might change when the claim closed in her favour.

In December the claim was closed and settled. Mrs S again asked for a refund. She was told her refund would be in the region of £1,000, but she was also told her policy was still active. Mrs S didn’t think this was fair. She hadn’t asked that the policy continued.

Mulsanne said Mrs S hadn’t explicitly asked that her policy was cancelled. It then recalculated the amount of refund, cancelled her policy and sent her a cheque for £485.13 (about 30% of the annual premium).

Mrs S wasn’t happy with the amount of refund and brought her complaint to this service. Our investigator looked into it and thought it would be upheld. He thought the policy should have been cancelled 30 days after the claim was settled, in line with the policy wording, and an appropriate refund sent. He also thought 8% simple interest should be added.

Mulsanne asked for more time to respond, then didn’t provide further information. Mrs S accepted the view.

Because Mulsanne didn’t respond, this complaint has been passed to me to make a final decision.

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 examined the file, I’m upholding Mrs S’s complaint. I’ll explain why.

Under the terms of its policy, Mulsanne gives a 30-day grace period following a total loss (aka write-off). What this means is, following the settlement of her claim, Mrs S was reasonably entitled to keep the policy active if she wanted to find another car. She didn’t want this, so Mulsanne should have cancelled her policy 30 days later. But it didn’t do this.

I don't have information telling me why it didn't do this, but it seems sensible to think that it leads to fair and reasonable outcome.

So, I think Mulsanne now needs to refund Mrs S's policy with effect from 30 days after it paid the settlement under her claim. It needs to add interest at 8% simple from the date it should have refunded her, to the date it makes this payment.

I've also read about Mrs S's frustration with Mulsanne's approach. It's important I mention that it seems to me some of her frustration is aimed at the processes around making a personal injury claim she said was associated with the collision. I'm not considering that part of her complaint here, so I can't say more about it.

But I can see that she was inconvenienced by Mulsanne's actions, and this is backed up by the amount of evidence she'd sent this service against the relatively small amount from Mulsanne. I've thought about this and considered this service's guidelines and I think the appropriate amount should be set at £150.

My final decision

It's my final decision that I uphold this complaint. I direct Mulsanne Insurance Company Limited to pay Mrs S:

- The refund for her policy being cancelled from 30 days after it settled her claim, adding interest at 8% simple from the date it should have done this to the date it makes this payment. If Mulsanne Insurance Company Limited considers that it's required by HM Revenue & Customs to withhold income tax from that interest, it should tell Mrs S how much it's taken off. It should also give Mrs S a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.
- £150 for her distress and inconvenience.

Mulsanne Insurance Company Limited must pay the amount within 28 days of the date on which we tell it Mrs S accepts my final decision. If it pays later than this, it must also pay interest on the amount from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 1 August 2025.

Richard Sowden
Ombudsman