

The complaint

Mrs C complains that Domestic & General Insurance Plc (Domestic & General) unfairly cancelled her household warranty insurance policies.

What happened

Mrs C held a number of household warranties with Domestic & General. In September 2024, it wrote to her giving notice of its intention to cancel the policies, and decline to provide any further policies in the future.

Mrs C was unhappy, and asked for an explanation from Domestic & General. As she was dissatisfied with its response, she referred a complaint to our service.

Our investigator thought Domestic & General's decision to cancel the policy and refuse any future policies was reasonable. However, she thought the explanations given by Domestic & General could have been clearer, and so it should pay Mrs C £150 compensation.

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.

All of the warranty policies which were cancelled were the subject of the same terms and conditions. The relevant condition relating to cancellation says:

"We may cancel this policy where there is a valid reason for doing so by giving you at least 7 days' written notice and you will receive a pro rata refund of the premium paid for the remaining unexpired days of your policy. Valid reasons include but are not limited to the following:

- where you fail to comply with certain conditions and obligations (see 'Important conditions' and 'Your responsibilities' above);
- where you fail to pay for the policy (see 'Paying your premium' above);
- where we have reasonable grounds to believe you have (or anyone acting for you has) engaged in fraudulent activity against us or our service providers and/or provided us with false information with respect to another policy you hold or have held with us (see 'Fraudulent activity' below); or
- where you have used threatening or abusive behaviour or language towards our staff or suppliers."

The correspondence sent by Domestic & General refers to says that following an investigation "one or more of the following applies to the claim(s) identified: a. You failed to comply with certain conditions and obligations required of you and explained in your plan documents under the heading 'Your Responsibilities' b. The claims made are too frequent, appear coordinated, occur too soon after warranty inception, or are too unusual that they are unlikely to be coincidental or unintentional."

It seems that Domestic & General had concerns about the number, and frequency of the

claims being submitted by Mrs C on her various policies, although it hasn't provided any evidence of her having made fraudulent or exaggerated claims. If that was the sole reason for having cancelled her policies, I'd likely have agreed it wasn't reasonable to cancel the policies. However, Domestic & General has also pointed to Mrs C's failure to pay the premiums for her policies as a reason it cancelled them.

Each of the policies is paid for on a monthly basis, and Domestic & General has shown that at the time of cancellation, each of the policies was in arrears with payments having been missed and not subsequently paid. The contract of insurance is relatively simple – in exchange for the payment of the premium, Domestic & General provide the cover set out in the terms and conditions. It's fair to say that if the premium isn't paid, then Domestic & General can reasonably cancel the policy and end the cover.

So it follows that, in light of the policy premiums not being paid, Domestic & General acted fairly, and in line with the policy condition, by giving Mrs C notice of its intention to cancel the policies. It wrote to her saying the cover would end in seven days, as the policy condition says. This is reasonable as it allows a policyholder to seek alternative cover and cancel the policy themselves, as opposed to having an insurer cancel the policy.

Domestic & General also said it wouldn't offer Mrs C further policies, and that any that were subsequently taken out would be cancelled. An insurer has the right to assess whether it wishes to offer a policy (or a renewal) and if it believes the risk is too great, it's fair to say it can decline to provide cover. That's different to an insurer deciding to cancel a policy for the breach of a policy condition.

In this case, Domestic & General would have seen the number of claims Mrs C had made across a number of policies and that she'd frequently missed premium payments. It seems they assessed the risk of providing further insurance to her as being too high, and so made a business decision that it could no longer offer cover. I haven't seen anything which suggests that such a decision would be obviously unfair or unreasonable.

So on balance I do have to agree that Domestic & General has acted reasonably when it cancelled the policy, and that by refusing future cover to Mrs C it hasn't acted unfairly. However, I do agree with our investigator that its communication with Mrs C could, and should, have been better.

Shortly after it notified Mrs C of its intention to cancel the policies, she took out a new policy for a different household item, and made a claim on this. The policy was subsequently cancelled but Domestic & General did honour the claim as it was made during the period of cover. During phone calls and correspondence with Domestic & General, it's clear that while it maintained its position that it could no longer provide cover to Mrs C, it wasn't clear in its reasons for doing so. Insurers have a duty to ensure that their policyholders understand their policies and insurer's actions, and it seems to me here that this hasn't happened.

Domestic & General's letter to Mrs C where it outlined the policies were to be cancelled was very vague and appears templated. It refers to claim activity but doesn't identify any particular claims she's made which led to a suspicion of fraud, or evidence to support this. If it believed her actions to amount to potential fraud then that should have been put to her to allow her to explain. The missed premium payments (which as I've said were enough to justify cancellation) weren't properly explained or expanded on either.

This meant, in my opinion, that Mrs C was left without a proper understanding of why the policies were being cancelled, and had multiple phone calls and other correspondence with Domestic & General to try and get clarification, which wasn't forthcoming. If Domestic & General had explained why it was cancelling the policies then I think it's fair to say she'd

have been frustrated at the decision to do so, but better understood the reasons. I can't say the decision to cancel the policies was unfair, but do think that £150 compensation recognises the impact the lack of clarity in Domestic & General's communications, and the inconvenience of having further contact with it to try and gain a better understanding.

My final decision

I uphold Mrs C's complaint in part. In order to put things right, Domestic & General Insurance Plc must pay her £150 compensation, It must pay this amount within 28 days of us telling it Mrs C accepts our decision. If it doesn't, then it must pay simple interest at a rate of 8% per year from that date to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 17 November 2025.

Ben Williams
Ombudsman