

The complaint

Mr B has complained that Alwyn Insurance Company Limited unfairly cancelled his car insurance policy.

What happened

Mr B bought a car insurance policy with the insurer, Alwyn in March 2025.

Alwyn said a database that insurers use showed that Mr B had a policy that had previously been cancelled by an insurer. Alwyn said Mr B had answered the question it asked about whether he had a previous policy cancelled by an insurer incorrectly. Alwyn considered this to be a qualifying misrepresentation, which entitled it to cancel the policy.

Mr B brought his complaint to us and one of our Investigators thought it should be upheld. Mr B had provided evidence of a letter from his previous insurer showing it had recorded the cancellation as being requested by Mr B. And the Investigator saw evidence that the previous insurer had recorded the cancellation as by the customer on a central database. So she didn't think Alwyn had fairly cancelled Mr B's policy as he hadn't made a misrepresentation. Based on the information Mr B had from the previous insurer, and based on its agreement for Mr B to have cancelled the previous policy, she thought Alwyn had unfairly cancelled his policy with them.

The Investigator recommended Alwyn remove any record of a cancellation recorded by them and pay Mr W £200 compensation for the distress and inconvenience caused.

Both parties disagreed with the Investigator's view.

Alwyn said Mr B had an insurer imposed cancellation issued to him. It says the fact that Mr B chose to cancel the policy himself before the previous insurer's cancellation completed is a way to manipulate the system. The reason the previous insurer intended to cancel the policy was due to quote manipulation by Mr B and this is recorded on the database. So Alwyn says its decision to cancel the policy was correct as Mr B should have declared the cancellation to future insurers. Alwyn says it discussed the cancellation with the previous insurer and is unhappy this hasn't been taken into account.

Mr B says he doesn't want compensation. He wants Alwyn to reinstate his policy and backdate it to the original start date and reinstate his No Claims Bonus (NCB) year(s).

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.

The relevant law in this case is The Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA). This requires 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.

Alwyn thinks Mr B failed to take reasonable care not to make a misrepresentation when he answered 'no' to the following question;

"Has an insurer ever declined, cancelled, voided or accepted a policy on special terms?"

Mr B received a seven day cancellation letter from his previous insurer. Mr B contacted the previous insurer before the seven days expired and his previous insurer agreed to allow Mr B to cancel the policy. Screenshot evidence of the database shows the recording of the cancellation as "*cancellation – cus*" meaning 'customer'.

Alongside this information, the previous insurer recorded the reason for cancellation as 'quote manipulation'.

Mr B received a letter from his previous insurer confirming that the cancellation had been carried out 'as requested.'

While I can understand why Alwyn had concerns in light of the information held on the database, this doesn't mean it fairly cancelled Mr B's policy. From the information he had, I don't agree Mr B misrepresented the facts to the best of his knowledge when he answered the key question. The recording of the cancellation by the previous insurer clearly states as being customer led. And this is in line with the information the previous insurer gave to Mr B.

This means I think Alwyn unfairly cancelled Mr B's policy for misrepresentation. So it should remove any cancellation marker it has applied and provide Mr B with a letter confirming it cancelled his policy in error.

Mr B has bought alternative insurance elsewhere in July 2025. When he applied for the policy with Alwyn he says he held one years' NCB. So for the loss of NCB accrual for three months, and the distress and inconvenience caused I think Alwyn should pay Mr W £200 compensation.

I understand Mr B disagrees. But I think this is a fair sum in line with awards we give in similar circumstances.

My final decision

My final decision is that I uphold this complaint. I require Alwyn Insurance Company Limited to do the following:

- Provide Mr B with a letter confirming it cancelled his policy in error.
- Remove any cancellation record by Alwyn from external database(s).
- If Alwyn charged a cancellation fee it should refund this.
- Alwyn should pay interest on the refund at a rate of 8% simple interest a year from

- the date of cancellation to the date it refunds Mr B.
- Pay Mr B £200 compensation for the distress and inconvenience caused.
 - Alwyn Insurance Company Limited must pay the compensation within 28 days of the date on which we tell it Mr B accepts my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision to the date of payment at a simple rate of 8% a year.
 - If Alwyn Insurance Company Limited considers that it's required by HM Revenue & Customs to withhold income tax from that interest, it should tell Mr B how much it's taken off. It should also give Mr B a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 20 October 2025.

Geraldine Newbold
Ombudsman