

The complaint

Mr M1 and Ms D complain that Advantage Insurance Company Limited ('Advantage') cancelled Mr D's car insurance policy after he made a claim on it and it paid him a total loss settlement.

What happened

Mr M1 held a car insurance policy provided by Advantage. His policy started on 18 November 2024 and included Ms D as a named driver.

Shortly after the policy started, Mr M1 was unfortunately involved in an accident with another vehicle. So, he contacted Advantage on 20 November 2024 to make a claim on his policy. On 21 November 2024, Mr M1 asked Advantage to discuss the claim in future with his father (who I'll call 'Mr M2'), instead of himself.

Advantage subsequently deemed Mr M1's car a total loss, and agreed to pay a cash settlement for its pre-accident value. It wrote to Mr M1 by email on 26 November 2024 to say it has paid a cash settlement. It also sent a separate email to Mr M1 on this date saying that he had 30 days to add a new vehicle to his policy, but if one wasn't added by 26 December 2024 his policy would be cancelled.

Advantage didn't receive a response, so it cancelled Mr M1's policy on 25 December 2024 and sent him a letter on 27 December 2024 saying it had done so. Ms D contacted Advantage in response to this letter and asked if it would provide an extension to allow more time for Mr M1 to find another car to add to the policy. But it declined to do so, so a complaint was made.

Advantage provided a final response to this complaint on 30 January 2025. It said it hadn't unfairly cancelled the policy as the policy terms say it can cancel the cover after 30 days if no new vehicle is added after a total loss settlement is issued, and it also communicated this 30 day limit to Mr M1 by email in line with his communication preference.

Dissatisfied with this response, Mr M1 and Ms D brought the complaint to us. Our investigator didn't find Advantage had acted fairly. He said Advantage hadn't consistently communicated with Mr M2 after Mr M1 asked it to, so he didn't think it was fair Advantage had sent the email setting out the 30 day limit to add a new car to the policy to Mr M1 rather than to Mr M2. And he thought it likely that if the email was sent to Mr M2, it would have been acted on and Mr M1 would have sourced a new car to add on to the policy in time.

To put things right, the investigator said Advantage should give Mr M1 another 30 days to add a new car to his policy, and subject to any new car meeting Advantage's underwriting criteria, it should allow the same length of cover as would have been available had Mr M1 done this on 26 November 2024. In addition to this, the investigator recommended Advantage pay Mr M1 £150 compensation for the distress and inconvenience caused.

Because Advantage didn't agree, the complaint was referred 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.

Having done so, I've decided to uphold this complaint. I'll explain why.

I've reviewed the policy terms and these say if a claim is settled on a total loss basis and the car isn't replaced within 30 days of the payment being issued, Advantage can cancel the policy.

Advantage did issue a total loss payment to Mr M1 and he did not replace his car within 30 days. But although the terms allowed Advantage to cancel the policy in these circumstances, that doesn't necessarily mean it did so fairly. So, I've considered if it acted fairly in how it cancelled the policy.

It isn't unusual for an insurer to cancel a car insurance policy once a total loss is paid since there is no longer any vehicle for it to insure. But it's good industry practice not to cancel a policy immediately and to allow the insured some time to find and add a new replacement car to their policy so that they can make use of any time on cover that would remain for the policy year.

This policy expressly allowed for that by including in the terms a 30-day period for the insured to add another car to the policy after a total loss settlement is issued. And I think that's a reasonable length of time.

I think this was a significant term though, because it had the potential for an adverse impact with the policy being cancelled if another car wasn't added on to cover within the time limit. So, I don't think it was enough for it just to be contained in the policy booklet, and it should have been highlighted during the claim.

I don't dispute that Advantage informed Mr M1 of the term during the claim by sending him an email at the same time as issuing his total loss payment explaining to him he would need to add another car to the policy within 30 days or it would be cancelled. But I'm not persuaded that was enough in the circumstances here.

Advantage has provided several call recordings of the initial discussions on the claim prior to the total loss being paid. Primarily these calls were with Mr M2, having been authorised by Mr M1 to discuss the matter on his behalf.

Mr M2 explained to Advantage that Mr M1 had been traumatised by the accident and wasn't at that point receptive to discussing it as recalling the incident was upsetting to him. So, in the first call, Mr M2 asked if Advantage could call him if it needed to discuss anything.

Advantage acknowledged this, but said Mr M2 only asked for it to discuss things on the phone with him rather than with Mr M1, and he didn't ask for written correspondence to be sent to him.

On more than one call, Mr M2 explained how the incident had traumatised Mr M1 and it was a struggle for him to deal with it as he was finding it upsetting, and that because of that he was dealing with the matter for Mr M1. So, I think Mr M2 made Advantage reasonably aware there was a vulnerability to take into account. And because of this, I think Advantage could have proactively considered if it needed to make any adjustments.

Advantage said there was still occasion where it needed to communicate directly with Mr M1, since he was the person involved in the accident and the policyholder. And I don't dispute this. So, I am not saying that Advantage shouldn't have communicated at all with Mr M1 including by emailing him details of the total loss settlement or the 30-day notification.

But this didn't prevent Advantage from supplementing this, for example by asking Mr M2 if he wanted to be copied into emails or by informing Mr M2 verbally during one of the numerous phone conversations about the policy term which required another car to be added to the policy within 30 days of the total loss payment to avoid cancellation.

The Consumer Duty sets out four key outcomes including consumer understanding which requires businesses to take into account how it communicates with consumers including any vulnerability characteristics in order to ensure consumers have the information they need to make informed decisions. Advantage were notified Mr M1 had vulnerable characteristics and that Mr M2 was dealing with the claim for him because of this.

But by sending the email solely to Mr M1, I don't think Advantage reasonably took this into account and based on the information Mr M2 had provided I think it reasonably could have foreseen only sending the email to Mr M1 wouldn't be enough to ensure understanding of the potential for the policy to be cancelled.

And although I acknowledge an unrelated email was sent to Mr M1 at one point which Mr M2 reacted to, I think Mr M2 knew to expect this particular email based on what he was told on the phone whereas I don't think the same can be said for the 30-day notification, which I have seen nothing to show was discussed with Mr M2.

I've considered what Advantage should do to put this right.

The investigator recommended Advantage allow another 30 days for Mr M1 to add a new car to his policy and for the policy to resume with the same remaining time on cover as would have been present at the time of cancellation if Mr M1 were to add a new car within these 30 days which met its underwriting criteria.

But Advantage said that it can't reinstate the policy now, and I don't think that's unreasonable given the policy has already been cancelled.

I acknowledge Mr M1's accident happened unfortunately very soon after his policy started. Ultimately though, Mr M1 has received the benefit of the policy since Advantage accepted his claim and paid him a total loss settlement. And to receive this benefit, Mr M1 was required to pay the full annual premium. So, it was not unreasonable for Advantage to retain the premium after the policy was cancelled regardless of the accident happening soon after the policy start date.

Although there was an opportunity for Mr M1 to add another car to the policy for it to continue, Mr M1 suffered trauma from the accident and still hasn't replaced his car or taken out cover elsewhere. So, I'm not persuaded he likely lost out from making further use of the policy.

But I think Mr M1 was caused some distress from having the policy cancelled, which I think warrants some compensation. And I think for the impact caused, £150 is fair, reasonable and in line with our award levels.

In addition to this, to avoid the risk of detriment to Mr M1 if he decides to take out car insurance again in the future, Advantage should update any internal and external records of the cancellation to show that the policy was cancelled by Mr M1 instead of by Advantage.

Putting things right

I require Advantage to pay Mr M1 £150 compensation for the distress and inconvenience caused. In addition to this, I require Advantage to update any internal and external records of the cancellation to show that the policy was cancelled by Mr M1 instead of by Advantage.

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 M1 and Ms D to accept or reject my decision before 3 October 2025.

Daniel Tinkler
Ombudsman