

The complaint

Mr M has complained that Lloyds Bank General Insurance Limited trading as MBNA (Lloyds) cancelled his home insurance policy without notice. He complains that he is unsure of how to apply for alternative insurance in light of the cancellation by Lloyds.

What happened

Mr M held a home insurance policy with the insurer Lloyds. He changed his address during the term of the policy.

Lloyds wrote to Mr M's new address confirming the change. But the letter was returned by post to Lloyds. Lloyds emailed Mr M the same day and asked him to contact it within 14 days or it would cancel the policy.

Mr M says he didn't receive the email. He discovered his policy had been cancelled when he noticed a refund of premium to his bank account and contacted Lloyds.

Mr M complained to Lloyds about its actions. Lloyds didn't uphold Mr M's complaint. It said it had acted correctly and so the cancellation stood. It offered to reinstate the policy, but Mr M declined. He was concerned about the way Lloyds had acted in cancelling his policy. And he was concerned that he would need to declare a cancellation by an insurer when applying for a policy in future. He thought this was unfair and asked us to look at his complaint.

Lloyds told us this was a complaint it didn't believe we should consider. It said it offered to reinstate Mr M's policy.

One of our Investigators set out the relevant rules to explain to Lloyds why Mr M's complaint was one we could consider. He asked Lloyds for its file but it didn't provide it. In the absence of evidence to show Lloyds acted reasonably, the Investigator recommended the complaint should be upheld. He thought Lloyds should maintain its offer to reinstate Mr M's policy and pay him £150 compensation for the distress and inconvenience caused. The Investigator explained that reinstating the policy would mean Mr M wouldn't need to declare a cancellation by an insurer.

Both parties replied to the Investigator. Lloyds provided its file. Mr M said he had since arranged alternative home insurance. He said Lloyds hadn't offered him the option to reinstate the policy at the time. If it had, Mr M would have accepted it's offer.

Mr M asked if he could cancel his existing home insurance policy and accept Lloyds' offer to reinstate his policy with it, subject to Lloyds accepting the Investigator's opinion. He thought the distress and inconvenience Lloyds had caused him warranted more than the recommended compensation of £150 by the Investigator. He was unhappy that he may still need to declare a cancellation by an insurer when applying for insurance in future.

Our Investigator issued a second view. On reviewing the further information provided by both

parties, he recommended Lloyds do the following:

- Pay Mr M £250 compensation for the distress and inconvenience caused by the unfair way it cancelled the policy.
- Meet any cancellation costs Mr M would have to pay if he decided to accept Lloyds' offer to reinstate his policy with it.

Lloyds accepted the Investigator's second view. Mr M asked for clarification around having to declare the cancellation to future insurers.

Lloyds confirmed Mr M would not need to declare the cancellation to future insurers and it had not recorded a negative marker against Mr M's name on its file.

Mr M believes he would still have to declare a cancellation when applying for future insurance and isn't sure accepting the offer of reinstatement is of value to him. So he would like an ombudsman to decide on his case.

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.

Lloyds accepted the Investigator's second view. So I don't intend to repeat the details of the complaint about whether Lloyds fairly cancelled Mr M's policy, other than I agree it didn't. It is clear Mr M contacted Lloyds and informed it of his change of address. I don't think Lloyds did enough before moving to cancellation due to a returned post letter from the new address. Mr M says he didn't receive the email Lloyds sent, which we have provided him with a copy of. I think Lloyds should have done more than sending one email to Mr M in these circumstances.

When an insurer cancels a policy, this can have a significant impact on a customer when applying for future insurance. This is because many insurers will charge a higher premium, or refuse to offer cover, where an insurer has previously cancelled a policy. I can understand Mr M's concerns here about how he answers a question around cancellation when applying for insurance in future.

As I find Lloyds unfairly cancelled Mr M's policy, which Lloyds accepts, it should provide Mr M with a letter confirming it cancelled his policy in error. Mr M will be able to show this letter to future insurers if he needs to support that Lloyds has not recorded the cancellation against Mr M. I hope this reassures Mr M.

I've no doubt that discovering his home insurance policy had been cancelled caused Mr M distress. He was put to further inconvenience by having to contact Lloyds, and in arranging alternative insurance. Mr M has been worried about how he can answer a question about having a previously policy cancelled when arranging future insurance.

For the distress and inconvenience caused, I think Lloyds should pay Mr M £250 compensation. Lloyds has accepted this outcome.

If Mr M wishes to cancel his existing policy and reinstate his policy with Lloyds, I think Lloyds should reimburse Mr M for any cancellation fee he may have to pay, subject to reasonable proof.

I think this is a fair outcome to resolve Mr M's complaint and put things right.

My final decision

My final decision is that I uphold this complaint. I require Lloyds Bank General Insurance Limited trading as MBNA to do the following:

- Maintain its offer to reinstate Mr M's policy.
- Pay any cancellation fee Mr M may be charged if he cancels his existing policy to reinstate his policy with Lloyds, subject to reasonable proof.
- In any event, provide Mr M with a letter confirming the cancellation was made in error.
- Pay Mr M £250 compensation for the distress and inconvenience caused.

Lloyds Bank General Insurance Limited trading as MBNA must pay the compensation within 28 days of the date on which we tell it Mr M 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 Lloyds Bank General Insurance Limited trading as MBNA considers that it's required by HM Revenue & Customs to withhold income tax from that interest, it should tell Mr M how much it's taken off. It should also give Mr M 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 M to accept or reject my decision before 16 January 2026.

Geraldine Newbold
Ombudsman