

The complaint

Mrs S complains U K Insurance Limited trading as Direct Line for Business unfairly cancelled her landlord insurance policy.

What happened

Mrs S held a landlord insurance policy with UKI, covering three rental properties owned by her. In July 2024, Mrs S said she told UKI one of the properties would be unoccupied for more than 30 consecutive days. UKI said as a result, it would apply an unoccupancy endorsement under the policy. This required, for cover to be valid, that the services were switched off at the mains.

Mrs S accepted that, but in September 2024 Mrs S said she didn't think she could comply with the unoccupancy endorsement because tradesmen working in the property needed the services to be switched on.

Mrs S says UKI told her it would confirm the position with its underwriters. She said she then went away on a trip, and when she returned, she found her policy with UKI was to be cancelled. Mrs S complained but UKI didn't agree it had done anything wrong. So, Mrs S referred her complaint to the Financial Ombudsman Service for an independent review. She said she'd since found other insurance, so she didn't want the UKI policy to be reinstated. But she did want an apology for the way she was treated, as well as any record of the cancellation to be removed. She said she felt embarrassed at having to disclose the cancellation and that UKI had taken the decision without trying to contact her enough.

Our Investigator didn't think it was unreasonable that UKI didn't continue cover. However, he thought UKI should've allowed Mrs S to cancel the policy, rather than cancelling it without having been in further contact with her. So, he said UKI should remove any record of the policy being cancelled from its own and any external databases. He also said UKI's actions had caused Mrs S anxiety, and she was inconvenienced by having to arrange new insurance on the properties at such short notice. He recommended UKI pay £250 compensation to Mrs S.

Mrs S accepted that outcome, UKI didn't. It seemed to think our Investigator was recommending reinstating the policies. It also didn't agree it had communicated the cancellation unreasonably. It further said that it hadn't recorded the cancellation anywhere, and this Service was causing unnecessary anxiety to Mrs S by implying it had done so. It asked for an Ombudsman to consider matters, so the matter came to me to decide.

I issued a provisional decision on this complaint, I wasn't satisfied UKI had acted fairly in cancelling the entire policy, when UKI only had concerns about one property. Provisionally I said:

"I intend to decide UKI acted fairly in deciding it couldn't offer cover for the unoccupied property (property A) if the endorsement couldn't be met. But I don't think it acted fairly in cancelling the whole policy, when only one of the insured properties had an unoccupancy endorsement that couldn't be met. I've first dealt with UKI's actions in relation to property A.

Mrs S told UKI she couldn't meet the conditions of the property A because the endorsement required that all services be switched off at the mains. Mrs S said she couldn't guarantee that as she had contractors working on the property daily. I accept the meeting such an

endorsement might be challenging, but I don't think UKI's action of applying an endorsement and saying it couldn't insure the property if the endorsement couldn't be met, was unreasonable. UKI is allowed to decide what risks it wants to insure, and those that it doesn't. And it's common practice for insurers to apply endorsements to unoccupied properties. Requiring services to be switched off at the mains likely limits the risk of damage occurring to the property when it isn't occupied. UKI did try to explain to Mrs S how she could meet the endorsement whilst works were ongoing at the property, but it says Mrs S didn't engage with it further, so it said it wouldn't agree to insure the risk. Given Mrs S' comments, I intend to decide UKI made a reasonable decision not to offer cover for property A if the endorsement couldn't be met.

However, I'm not satisfied that UKI acted reasonably by cancelling the entire policy, which also covered two unaffected properties. As such, I intend to decide that it should have removed property A from cover, and continued the policy for the remaining two properties.

The policy schedule lists the three properties separately, with their own sums insured. When Mrs S told UKI that property A was unoccupied, the endorsement was only added for property A. It wasn't added to the whole policy. And when UKI sent a reminder letter in August 2024 about the endorsement, the only property mentioned in that letter was property A. The letter explained Mrs S must contact UKI if her circumstance change. I think this letter shows that UKI was treating property A separately from the other two properties on the policy.

As such, with UKI treating the unoccupied property separately, with its own terms being applied to that property only, I think it was unreasonable for UKI to then cancel the whole policy – covering the three properties – on the basis that an unoccupancy endorsement couldn't be met on property A.

I've asked UKI why it didn't simply remove property A from the policy, given the endorsement couldn't be met. It gave two responses. It said when Mrs S had called in September 2024 she'd initially tried to tell UKI the property wasn't unoccupied, until it reminded her she'd previously told UKI that it was empty. It said this caused "concern". It further said when the underwriting team invoke a cancellation, it is for the policy as a whole. And it provided the following term in support of that position:

"Cancellation

We may cancel the Policy by sending seven days' written notice to You at Your last-known address. We will refund any Premium paid for the remaining Period of Insurance, as long as You have not made any claim up to the date of cancellation."

UKI's responses haven't answered the questions I posed. It seems that it is now saying it might have cancelled the whole policy over its "concern" about what Mrs S said in that September phone call. However, that isn't the reason it gave to Mrs S when it cancelled the policy. If this was the reason for UKI's action, I rather think it's unfair that it didn't put this allegation to her for an explanation before taking the decision to cancel the policy. UKI has also asked me to listen to the September call in support of its stance but hasn't provided me with a copy in order to do so. So I intend to decide it cannot fairly and reasonably invoke the policy cancellation term based on the September phone call.

Further, UKI's response doesn't persuade me that the cancellation term was reasonably applied. I accept UKI can cancel a policy under its terms, but its decision to do so must be fair and reasonable. And it hasn't given any reason as to why it didn't think it was appropriate to remove property A from cover and continue the policy, as normal, for the other two properties.

So, at the moment, I intend to decide UKI should've given Mrs S the option of removing property A from the policy. I think based on what I've seen that Mrs S would've most likely taken that option. She's told this Service she'd been with UKI for 15 years, I think arranging

a separate, new, policy for property A would've been easier for her than finding a new policy for all three properties, on differing terms at short notice. So I think that's what Mrs S would have most likely done.

However, because of UKI's cancellation, Mrs S says she's now found cover elsewhere. As such, reinstating the UKI policy for the remaining two properties isn't practical, nor what Mrs S wants. But fairly putting matters right also isn't straightforward. I've asked Mrs S for details of what she did following UKI's cancellation. She's provided me with her new insurance policy for property A, but not what she paid to insure the other two properties, which she seems to have insured separately from property A.

As such, I don't know what the impact of UKI's unfair cancellation of the entire policy, in terms of whether Mrs S has had to pay a higher premium for the unaffected properties as a result. However, Mrs S says she had to declare that she's had a cancelled policy when taking out her new insurance, which I think is most likely to have an impact on the new premium.

With all of the unknowns about what happened after UKI cancelled the policy, I'm going to propose UKI pays an award equivalent to compensation to Mrs S for its unfair cancellation of the policy, and the likely financial impact this had on her. I think doing so will be quicker and simpler for both parties than me seeking more information from Mrs S at this stage and directing UKI to work out the difference in premiums paid. I also intend to award compensation for the unnecessary distress and inconvenience caused to Mrs S by unfairly cancelling the policy. Mrs S says she was embarrassed that she had to declare that an insurer had cancelled a policy and that finding insurance elsewhere, at short notice, left her in a difficult position along with personal circumstances she was managing. Taking all of the above into account I intend to decide UKI should pay a global compensation award of £400.

UKI says it hasn't recorded the cancellation anywhere and this Service is causing unnecessary anxiety by suggesting it has. I think UKI is missing the point. It must have, at the point it cancelled the policy, recorded (internally at least) that it did so. Our Investigator asked UKI to amend any record – even if it is only an internal record – to reflect that Mrs S cancelled the policy. I agree that is a fair position. Marking the insurance as cancelled by Mrs S means it's unlikely to impact her insurance premiums going forward. I say this because in my experience it's common, when taking out insurance, to be asked if the proposer has ever had an Insurer cancel a policy. So to enable Mrs S to reasonably answer "no" to such question, she needs to be put in the position that it was she who cancelled the policy with UKI, not it."

Mrs S didn't respond to my provisional findings. UKI reiterated it hadn't recorded Mrs S on the cancellation register internally or externally. It also said it had followed the correct procedure for contacting Mrs S and when she didn't respond, it had no choice but to cancel the policy.

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.

I understand UKI has confirmed it hasn't recorded – even internally – Mrs S' policy as being cancelled by it. So Mrs S doesn't need to, if asked by a future insurer, disclose that she's had a policy cancelled by a previous insurer.

I've reviewed UKI's comments about Mrs S not responding to its contact. I accept it asked Mrs S to contact it, and she didn't until it said it would cancel the policy. But I'm not persuaded that cancelling the entire policy, when it insured two other unaffected properties, was fair and reasonable. UKI's comments in that respect have not changed my opinion.

Therefore, I see no reason to depart from my provisional findings. As such, those provisional findings, and those noted above, are now that of this, my final decision.

My final decision

My final decision is that I direct U K Insurance Limited trading as Direct Line for Business to make a global compensation award of £400 to reflect the likely financial impact of its unfair cancellation of the entire policy, and the unnecessary distress and inconvenience it has caused Mrs S. I also direct UKI to mark the policy (on any internal or external databases) as being cancelled by Mrs S, which it has already confirmed it has done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 28 October 2025.

Michelle Henderson
Ombudsman