

The complaint

Mr C trading as H has complained that his motor trade insurer, Zurich Insurance Company Ltd ('Zurich'), unfairly cancelled his policy.

All references to Zurich include its agents.

What happened

Mr C took a motor trade policy out in September 2024 through a broker. The policy was administered by another company which I will refer to as 'E' on Zurich's behalf. In January 2025 Zurich was notified by a third party that they had been involved in an accident with a vehicle which was insured under Mr C's policy, but which was being driven by someone not insured under the policy. Zurich notified Mr C who said he had sold the car to someone 45 minutes before the accident.

Zurich said it might have to deal with the third-party claim as it appeared to be the only insurer on record for the particular car. It asked Mr C to provide it with more information regarding the car as well as other vehicles he had included in his cover. Zurich said that Mr C didn't provide all the validation documents it had requested and so it proceeded to cancel the policy.

Mr C wasn't happy about the cancellation and complained. He asked for the policy to be reinstated and if not, for a full premium refund.

Zurich didn't uphold the complaint. It said the registration number for the particular car was added on Mr C's MID (Motor Insurance Database) record just over an hour before the accident and not removed from it until early February 2025. It said it asked Mr C for validation documents, but he failed to provide proof of purchase or sale for some of the vehicles on his MID record. Zurich added that the cancellation was in line with its policy terms and conditions. It also said that if it is successful in redirecting the claim to the driver's insurer, it would issue a pro-rata premium refund and waive any administration fee.

Unhappy with Zurich's response, Mr C brought his complaint to our service. He said that Zurich cancelled his policy and told him he was abusing his MID. He added that it did not issue him with a refund despite him providing all the documents it had asked for. He said that he isn't able to take out a new policy now as the cost is prohibitively expensive.

While the complaint was with our service, Zurich issued Mr C's refund and waived any administration fees. Mr C confirmed he has received £850 back and also proof of his no claims discount (NCD).

One of our investigators reviewed the complaint but didn't think Zurich had to take further action and that its actions were in line with the policy terms.

Mr C didn't agree and asked for an ombudsman's decision. He clarified that he doesn't buy and sell cars for a living but does so privately. For that reason, he said he doesn't need to keep sales documents, but he is able to add those cars on his MID record. He asked for the cancellation to be removed from his record.

The matter was then passed 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.

The policy

The policy documents are produced by E but the policy is underwritten by Zurich and so I think though the decision to cancel the policy was taken by E, this was done on Zurich's behalf.

Under the policy all permanent motor vehicles, registered, owned or leased by Mr C or any motor vehicle regularly covered under the policy for motor trade purposes should be added to the MID. This also applies to taxed stock vehicles held longer than 14 days. If a vehicle has been sold or disposed of and not removed from the customer's MID record, they might be liable if the new owner doesn't have their own insurer.

Under "General Conditions" the policy says that E may cancel the policy where there is a valid reason to do so by giving the customer seven days' notice in writing. Valid reasons include failure to co-operate with it and provide it with information it reasonably requires where such lack of cooperation affects its ability to process a claim or defend its interests or the making of risk-based underwriting decisions.

The claim

Mr C informed his broker that the driver's insurer would be dealing with the third-party claim on 14 February 2025. The broker, acting on Zurich and E's behalf, asked Mr C for validation documents including:

- V5Cs (registration documents) for all the vehicles on his MID;
- Proof of purchase for all vehicles not registered in his name;
- Photographs of each vehicle in its usual overnight location and an explanation for any vehicles not kept at the risk address or premises address.

It also blocked his MID until this information was received but said Mr C could contact it if he wanted to make any changes.

From what I have seen, Zurich asked for information regarding eight vehicles in total which were on Mr C's MID record though some had since been removed from it and/or sold.

Mr C provided some documents, including photographs and V5Cs for a number of vehicles. The broker acknowledged receipt but asked him to provide proof of purchase for all vehicles not registered in his name. I think that request was fair and reasonable. Several of the V5Cs were in third-party names, and if Mr C had purchased those vehicles and added them to his MID record, this would mean they were either held as stock for over 14 days or were otherwise registered, owned, leased, or regularly used under the policy. But Mr C has said he doesn't buy and sell vehicles as part of his business, so these vehicles were unlikely to be stock. In those circumstances, I think Zurich was entitled to ask for evidence confirming that these vehicles were correctly added to the MID record.

E also said Mr C wasn't able to provide any evidence that he had sold the car involved in the accident before it occurred, and I haven't seen such evidence either. More broadly, the information I've seen shows that there were several vehicles on his MID record for which Mr C couldn't provide V5Cs, proof of purchase, photographs, or proof of sale. For one vehicle he said he had given it to family, but I haven't seen any evidence that he had owned it or transferred it. There were also two vehicles he described as his own but for which he didn't provide proof of ownership.

Overall, I don't think Mr C was able to provide the validation documents Zurich reasonably requested. For that reason, I consider Zurich acted in line with its policy terms when it decided to cancel the policy. These documents were necessary for Zurich to satisfy itself that the vehicles were correctly recorded on the MID, which it was entitled to do in order to protect its interests.

On 24 February 2025, Mr C received an email from E informing him that his policy would be cancelled on 3 March 2025 because he had failed to provide all the requested validation information. This gave Mr C seven days' notice and so I think this was in line with the policy terms.

I appreciate Mr C will be disappointed with my decision. I know he feels strongly that he complied with all the requests made by E on Zurich's behalf and that the policy cancellation was unfair and unnecessary. But for the reasons I gave above, I think Zurich's actions were in line with its policy terms and so I don't think it needs to take further action.

My final decision

For the reasons above I have decided not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C trading as H to accept or reject my decision before 9 March 2026.

Anastasia Serdari
Ombudsman