

The complaint

Mr B complains that U K Insurance Limited (UKI) suspended his motor insurance policy without telling him whilst it dealt with his claim. He wants £5,000 - £10,000 compensation for the impact of this error on his health conditions.

What happened

Mr B was involved in an accident with another driver where the other insurer accepted liability in full. UKI initially said Mr B's car was beyond economical repair. But after Mr B disputed this, it decided that his car was repairable. UKI then sent Mr B a letter stating that his policy had been suspended, backdated to shortly after the date of the accident. It later said this was wrongly sent due to a system error caused by the initial total loss decision.

UKI reinstated the policy, it provided Mr B with a letter accepting indemnity for the period when the policy was suspended, and it paid him £350 compensation for the trouble and upset caused. But Mr B said this was insufficient for the effect the error had on his health conditions, of which UKI was already aware. He wanted increased compensation.

Our Investigator didn't recommend that the complaint should be upheld. She thought UKI had made an error, and she considered the impact this had had on Mr B up to its response to his complaint. And she thought UKI had taken reasonable steps to put things right for Mr B and to compensate him for the impact of its error. She thought that if Mr B had evidence of further effects on his health caused by the error then he could bring a further complaint against UKI.

Mr B replied that he had reasons to distrust UKI, and he didn't believe it would honour its letter of indemnity. He thought its payment of compensation was grossly insufficient for the impact its error had had on his health conditions. Mr B asked for his complaint to be reviewed by an Ombudsman, so it's come to me for a final decision.

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.

Mr B has provided us with information about his severe health conditions, and he's told us that they are worsened by stress and anxiety. I was sorry to hear this and wish him well in his pending treatment. I note that Mr B told us he has been advised to inform DVLA and his insurer about these conditions, which he says he has done, but that they are unlikely to affect his driving ability.

The current complaint arose after UKI sent Mr B a letter stating that his policy had been suspended and this suspension was backdated to shortly after the date of the accident. This letter was sent after Mr B's car had been repaired and declared roadworthy. And UKI accepts this was an error caused by a system failure due to the previous decision to declare Mr B's car a write-off.

Mr B thought, given its importance, UKI should have checked that this letter was accurate before sending it. And I agree that that would have been good customer service. But it's not

for me to tell UKI what systems and processes it should use as these are its commercial decision.

Mr B also queried why this information had been sent by letter rather than email like the rest of his correspondence with UKI. UKI said post was Mr B's declared preference for correspondence. But Mr B disagreed. I can't explain why the correspondence was sent by post. However, I can't see that this caused Mr B any loss as he did receive it and was able to act upon it.

Mr B called UKI the following day and I'm satisfied it then acted promptly to correct the error by immediately restoring his cover, refunding his premiums for the time he was uninsured and investigating his complaint. But Mr B said this error had caused him substantial and sustained distress that may have affected his health condition.

When an insurer makes an error, as I'm satisfied UKI has done here, we expect it to restore the consumer's position as far as it's possible to do so, and we expect it to compensate the consumer for the impact of the error.

To restore Mr B's position, UKI reinstated his policy and refunded his premiums for the time he was uninsured. It said it would have indemnified Mr B in the event he was stopped by the police or had to make a claim during the time when it said the cover was suspended. Mr B said he didn't believe this, but I have no reason to doubt UKI's statement.

I can understand that Mr B was anxious about possible effects of the suspension, but we can only consider actual rather than potential losses. And fortunately, nothing untoward happened during the time his cover was suspended. So I'm satisfied UKI took reasonable steps to restore Mr B's position to what it would have been without the error.

I can see that UKI acknowledged Mr B's health condition. And it paid him £350 compensation for the impact its error had on him. I can understand Mr B's strength of feeling that this is insufficient for the level of distress caused. But I haven't seen evidence that this error had a direct impact on his health. If this was to be provided, then I think UKI should reasonably consider it under a further complaint.

But I think £350 compensation for the impact of UKI's error is in keeping with our published guidance for the impact of an error that has caused considerable worry and upset over some months. And so I think that's fair and reasonable, and I don't require UKI to increase this.

My final decision

For the reasons given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 29 December 2025.

Phillip Berechree
Ombudsman