

The complaint

Miss F complains that U K Insurance trading as Churchill Car Insurance (UKI) unfairly handled the cancellation of her motor insurance policy, which led to a default marker being recorded on her credit file.

What happened

The circumstances of this case are known to both parties, but in summary Miss F had a motor insurance policy underwritten by UKI. This provided insurance cover for her car from July 2021 to July 2022. Miss F wanted to pay the annual premium in monthly installments, so she entered into a credit agreement – also provided by UKI – where the premium was funded by the credit agreement and she then agreed to repay the sum, plus interest, over 10 months.

Miss F experienced a change in her personal circumstances which led to financial difficulties and her missing five monthly payments. In March 2022, UKI cancelled Miss F's policy due to non-payment. In July 2025 Miss F became aware of a default on her credit file for £498 and complained to UKI due to its failure to notify her of this. She also said she'd asked to cancel the policy prior to this which UKI didn't action. Miss F subsequently complained to UKI about its failure to record the complaint despite notifying it over the phone.

UKI didn't uphold the complaint. It said it was satisfied it sent Miss F sufficient notice of the policy cancellation and the outstanding balance due under her agreement. It also said it had no record of Miss F cancelling the policy and its last contact with her was to discuss the outstanding balance. UKI also said it had no record of Miss F contacting it to complain until her subsequent contact in July 2025. Unhappy with its response, Miss F referred her complaint to this Service.

Our Investigator didn't uphold the complaint. They thought UKI had acted in line with the terms and conditions of the policy and that, when Miss F complained, she had contacted another firm within UKI's parent group. Miss F disagreed and asked for an Ombudsman to make a final decision. She said when complaining she contacted the firm who recorded the default on her credit file and that if this was the wrong firm, then the default can't be binding on her. Miss F also said she didn't receive any of the letters UKI said it had sent about the policy cancellation and outstanding balance.

So, the case has been 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.

I know I've summarised the circumstances of this case in less detail than presented. But I want to assure both parties that I've carefully considered all the information provided. I may not respond to every point or piece of evidence. But I've focused on the issues I consider to be key to the outcome of the case. This isn't meant as a discourtesy but reflects the informal

nature of this Service – and the rules this Service are expected to adhere to enable me to do this.

I was sorry to hear of the difficulties Miss F experienced following her change in circumstances. While I'm empathetic to her circumstances, I must decide whether UKI has acted unfairly or unreasonably. While I recognise Miss F will be disappointed with my decision, I don't uphold this complaint. I'll explain why.

I appreciate Miss F is unhappy about UKI's failure to record her complaint following her contact over the phone. Miss F has provided a screenshot of a call record which she says supports her attempt to raise the complaint. However, I haven't been provided with the call and I note that this was to another firm within UKI's parent group. So, I'm unable to say with any certainty what was discussed. In any case, even if UKI did cause an initial delay, I don't find this to have materially impacted the main issue here which is the cancellation of the policy and the subsequent recording of the default. And Miss F ultimately followed up with UKI a week after the initial attempt to make the complaint which enabled UKI to complete its investigations.

So, the remaining key issues for me to decide here is whether UKI has treated Miss F fairly in its decision to cancel her policy, and its subsequent decision to record a default marker for the outstanding balance due under the agreement.

It's important to note that UKI was acting in two capacities in relation to Miss F's motor policy – as both the underwriter of the policy, and as Miss F elected to pay for the policy monthly, UKI was also acting as a credit provider.

Relevant regulatory rules say an insurer must ensure it provides its customers with appropriate information about its policy in good time and in a comprehensible way, and that its information should be clear, fair and not misleading.

The regulatory rules also require a credit provider to consider consumers in default or in arrears difficulties with forbearance and due consideration.

So, the starting point is the policy terms and conditions which sets out the basis of cover between the insurer and its policyholder. Under the terms of Miss F's policy, if UKI is unable to collect the monthly payment due under the credit agreement, it will write to notify her of this and give her an opportunity to bring the policy up to date. If any installment remains unpaid, it has the right to give notice of its intention to cancel with seven days' notice. The terms also set out that if the policy is cancelled beyond the 14 day cooling off period, UKI will charge its policyholder for the time they've had on cover, plus an administration fee, and provide a refund of any remaining premium that had been paid.

This means that if Miss F fails to make her monthly contractual payments under the credit agreement, UKI has the right to cancel the policy providing it gives written notice. It also has the right to charge Miss F for the time she has received the benefit of cover. And it's not unreasonable that it does so. But while UKI has the contractual right to cancel the policy, I have gone on to think about whether its decision to do so was fair and reasonable. I think it was.

Miss F fell into arrears in October 2021 and contacted UKI to notify it of her change in circumstances in November 2021. UKI agreed to leave the policy in place providing Miss F looked to make some contribution to the outstanding monthly payments due, but explained that if it didn't receive payment, the policy would be cancelled. There was no indication that Miss F wished to cancel the policy.

As Miss F contacted UKI to discuss the non-payment of her monthly payments in November 2021, I'm satisfied Miss F was aware of the outstanding balance due under her policy, and what the impact of non-payment would be if she couldn't bring the payments up to date. UKI then provided Miss F with cover under the policy for approximately another four months. So I think UKI provided Miss F with some flexibility by leaving cover in place, and reasonable time and opportunity to bring the outstanding balance up to date.

On 8 March 2022, UKI wrote to Miss F to explain that as it hadn't received payment, it would be cancelling the policy on 22 March unless Miss F brought the outstanding balance of £512.88 up to date. This letter clearly explained what the impact of cancellation would be, and that this may impact on the separate credit agreement she had for the policy. As no payment was made, UKI cancelled the policy on 22 March, and notified Miss F of this by post. The letter confirmed that if the outstanding balance wasn't settled, it may report to a credit reference agency that Miss F had defaulted on her credit agreement in no fewer than 90 days following the policy cancellation.

I would have considered it good practice for UKI to have notified Miss F of the cancellation using two forms of communication given the consequences of having a motor insurance policy cancelled. However, UKI has only demonstrated that it notified Miss F by post. I have gone on to think about whether this has left Miss F in a disadvantageous position and I don't think it has, given UKI explained the consequences of non-payment to Miss F over the phone when she called in November 2021.

Miss F hasn't suggested the cancellation of the policy came as a surprise, and I can see further calls took place which explained UKI was unable to reinstate the policy shortly after cancellation. UKI said Miss F would need to pay at least 50% of the outstanding payments before UKI would look to provide a new insurance quote. So, I'm satisfied that she was aware UKI had cancelled the policy.

Following the cancellation of the policy, UKI wrote to Miss F twice in April 2022 to request the outstanding balance be paid, and if this remained outstanding by 3 May 2022, it may pass the outstanding payment to a debt collection agency and that it would notify credit reference agencies that Miss F had defaulted on her account. UKI subsequently wrote to Miss F every six months following this to remind her of the outstanding balance, the default and the impact of this outstanding balance to Miss F's credit file.

Miss F has said that she didn't receive these letters and UKI should provide evidence they were received. However, in order for me to be satisfied UKI has acted fairly, I need to be satisfied it did what it was required to do, which was to send the letters out to Miss F.

On balance, I find it more likely than not that Miss F was sent these letters. I say this as UKI has provided evidence of these letters, which are correctly dated and addressed to the same details Miss F provided this Service, and that these were generated on its system. It's also clear Miss F received notification of the non-payment of her monthly payments which led to her contacting UKI in November 2021, and I haven't seen any evidence to suggest these letters were returned to UKI due to not being deliverable.

I note Miss F is unhappy with the business name that's recorded the default on her credit file. But I'm satisfied UKI has recorded the default under a relevant name. And it is an accurate reflection of the payment history on her credit agreement.

So, for the reasons I have explained, I don't find that UKI has acted unfairly here. I'm persuaded it provided Miss F with flexibility by leaving the policy in place, sufficiently informed her of the consequences of non-payment under the policy, and provided sufficient

written notice of its intention to cancel, the cancellation itself, and the subsequent default. So, I won't be directing UKI to take any action here.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 9 April 2026.

Oliver Collins
Ombudsman