

The complaint

Mr A complains about Liverpool Victoria Insurance Company Limited (“LV”) and their decision to cancel his policy after they were unable to take payment for his policy premium. Mr A also complains about the correspondence sent to him around this time, which he feels was misleading.

What happened

The claim and complaint circumstances are well known to both parties. So, I don’t intend to list them chronologically in detail. But to summarise, Mr A held a motor insurance policy, underwritten by LV, which was due to renew automatically in April 2025. Mr A was happy with the renewal price and so, he ensured the payment details were correct and that the relevant account had the necessary funds available for the payment to be taken.

But when LV attempted to take payment, it failed. So, they wrote to Mr A explaining if they didn’t receive payment from him directly by 1 May 2025, his policy would cancel. No payment was received and so, LV cancelled Mr A’s policy on 2 May, writing to him to confirm the same.

Mr A was unhappy about this, so he raised a complaint. In summary, he felt it was LV’s error that had led to the payment failing, having held discussions with his bank, who I’ll refer to as “H”. And he felt around the time his payment failed, LV had sent him a misleading e-mail which suggested his policy had renewed appropriately, as he expected. So, he wanted to be compensated for the inconvenience he’d been caused, which included obtaining alternative insurance, and that he may have driven his car while uninsured had he not realised.

LV responded to the complaint and upheld it in part. They recognised they could have emailed or text Mr A to make him aware of the missed payment. And, why he would have been misled by the email they sent which they outlined was for marketing purposes. So, they issued a cheque for £150 to recognise this, as well as offering Mr A the option to send them his new insurance details so they could consider reimbursing him any difference he had paid. But they didn’t agree the cancellation itself should be removed. Mr A remained unhappy with this response, so he referred his complaint to us.

Our investigator looked into the complaint and didn’t uphold it, setting out why over two separate outcomes. Both parties have had sight of these, so I won’t be recounting them in detail. But to summarise, our investigator set out why they were satisfied LV had attempted to take payment appropriately and why they didn’t believe LV ought to be held responsible for the payment failure. So, they didn’t recommend LV do anything more.

Mr A didn’t agree, providing substantive commentary setting out why. This included, and is not limited to, his continued belief that LV had failed to evidence they had attempted to take payment appropriately. And he maintained he had been misled by LV’s correspondence, which prevented him from taking action before the cancellation was put in place. He also mentioned his unhappiness with LV not being willing to reinstate the policy and offering a new policy for more than the renewal price. As Mr A didn’t agree, the complaint was passed to me for a decision.

I issued my provisional decision on 26 February 2026, where I set out my intention to uphold the complaint. Within that decision I said:

“I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Having done so, it’s my intention to uphold the complaint. I’ve focused my comments on what I think is relevant, in line with our services informal approach. So, if I haven’t commented on any specific point, it’s because I don’t believe it’s affected what I think is the right outcome. I also want to reassure both parties I’ve carefully considered all their testimony, including references to regulator principles, even if I don’t talk to them specifically when explaining why I’ve reached the decision I have.

I note it’s not in dispute that the payment of Mr A’s premium failed. What is in dispute is who was responsible for this payment failure. Having reviewed the evidence available to me, I’m satisfied LV did attempt to take payment on 23 April 2025, and that this was attempted using the same payment information as that used when the previous policy premium was paid. I also note that Mr A himself has confirmed following receipt of the renewal notice, he took steps to ensure the payment information held was correct. And there is no evidence that suggests this was altered in any way.

I note Mr A’s bank, H, states they have no record of a payment being attempted. But they do also state this doesn’t necessarily prove LV didn’t attempt the payment, considering their may have been a payment system glitch that can occur. I’m unable to say for certain what did occur, nor do I or our service hold the technical expertise to say for certain. So, based on the above and the balance of probability, I’m satisfied LV did most likely attempt to take the payment as I would expect. So, as this wasn’t received, I would expect LV to make reasonable attempts to contact Mr A to make him aware of the issue, and what may happen if payment wasn’t received.

But crucially, I’m not satisfied the actions LV took following the payment failure were fair or reasonable. And I’ll explain why.

I note LV wrote to Mr A on 24 April 2025 to advise him of the payment failure and within this letter, explained that failure to contact them to make payment would lead to the policy being cancelled on 1 May. And, that Mr A’s contact preference was by post.

But crucially, I note LV themselves have accepted they could have, and should have, also attempted to contact Mr A using another medium, such as email or text. This follows our services own approach, where we expect any cancellation correspondence to be sent by two durable mediums, considering its potential impact on a customer moving forwards.

Further to this, I note that on 25 April, the day after their cancellation notice was sent by post, LV did e-mail Mr A with what they initially referred to as a marketing email, before accepting it was sent as part of the renewal process. And I’ve seen this e-mail stated in bold “{Mr A}, welcome back for another year” before stating “Here’s to another year together – we’ve got you covered from 24 April 2025.”

Mr A has confirmed this information led him to believe his policy had been set up appropriately. And so, he didn’t feel the need to check his account to ensure the payment had been taken successfully. I’m satisfied this was a reasonable approach for Mr A to take, as I’m satisfied another customer is likely to have taken the same approach in the same situation.

While this email did also contain a header intended to show at the top of the email, in smaller print, that “This isn’t confirmation of your policy renewing. If you’re paying for the year (not monthly) please check your payments been taken. If it hasn’t, you’ll need to get in touch to

renew”, I’m not satisfied this significant piece of information was made reasonably clear. And Mr A has also provided me screenshots which satisfy me this header wasn’t visible when accessing his email using his phone and ultimately, it is LV’s responsibility to ensure any communication they send is compatible with the technology their customers use.

So, considering the above and the fact this e-mail was received the day after the cancellation notice was sent by post, I’m satisfied Mr A most likely received this email first. And I’m satisfied this email unreasonably mis-led Mr A into believing his policy had been set up, with payment being taken, which ultimately wasn’t the case. I’m also satisfied LV themselves accept this, as part of the £150 compensatory offer they made was to recognise any confusion Mr A was caused.

As I’m satisfied LV have acted unfairly here, I’ve then turned to what I intend to direct LV to do to put things right.

Putting things right

When deciding what LV should do to put things right, any award or direction is intended to place Mr A back in the position he would have been in, had LV acted fairly in the first place. In this situation, I’m satisfied the initial payment attempt would always have failed. But crucially, had LV reasonably communicated their cancellation notice with him by a second medium, such as by email, and not sent him the email that’s agreed was misleading, then I’m satisfied Mr A would most likely have realised he needed to contact LV to arrange payment before the policy cancelled.

I say this because when one Mr A received the actual cancellation letter, dated 2 May 2025, he contacted LV very shortly after. And when he did so, he expressed his wish for the policy to be reinstated, or that a new policy be set up. So, I’m satisfied it was always Mr A’s intention to remain with LV and utilise the policy that was due to renew. Had Mr A have done so and made payment as I think he most likely would have, I’m satisfied the policy wouldn’t have cancelled.

So, to place Mr A back in this position, I intend to direct LV to remove any record of the cancellation, so Mr A doesn’t need to declare this to future insurers, nor will it be available on any databases for insurers to see in searches they undertake.

And as I’m satisfied the cancellation of the policy was ultimately unfair, I intend to direct LV to pay a further £100 compensation to recognise this, taking the total compensatory amount to £250 in total. From the evidence I’ve seen, while LV issued the initial £150 by cheque, Mr A disputed this and hasn’t cashed it. So, my intended directions are made on this basis.

I’m satisfied this increased amount appropriately recognises LV’s accepted failures regarding how they communicated the cancellation, and the confusion caused by their email sent on 25 April 2025, while also considering the inconvenience Mr A has been caused by the cancellation, which includes and is not limited to the time and effort he has spent engaging with LV to challenge this, as well as the shock he would have felt when realising the policy had been cancelled when this wasn’t what he wanted to happen.

But I’m satisfied it also fairly reflects my decision that LV did ultimately attempt to take payment as I would expect, and I’ve not seen evidence that persuades me they should be held responsible for the payment failure. And, that LV have offered Mr A the chance to provide them with his new insurance details, including the price he paid, so they can consider reimbursing him any additional amount he has paid above the renewal premium. It is Mr A’s choice as to whether he wishes to provide this information to LV for them to consider.”

Responses

LV didn't respond to my provisional decision by the deadline set. So, I must assume they have no further comments to provide. But Mr A did, setting out why he didn't believe the additional compensation award was sufficient to compensate him for the inconvenience and distress he was caused. In summary, Mr A maintained that LV were the party responsible for the payment failure, questioning why payment wasn't attempted again and how this left him unknowingly uninsured. And he felt the provisional decision failed to encourage LV to change their processes, which he felt left other customers exposed to risk of experiencing the same situation.

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.

Having done so, I won't be changing my original conclusions or directions and so, I'm upholding the complaint. My provisional decision, and its reasoning, is copied above. So, I won't be reiterating the same findings again. Instead, I will focus on Mr A's response to this decision, to explain why my decision remains the same.

I recognise Mr A maintains his belief that LV were responsible for the payment failure. But my decision has been made based on the evidence available to me. And having reviewed this at length, I remain satisfied that LV did attempt to take payment and crucially, I'm not satisfied the evidence persuades me LV were definitively at fault the payment failure.

But as my provisional decision explained, I am satisfied the steps LV took after the payment were neither fair nor reasonable. And as Mr A has pointed out, LV could have looked to try and take the payment again. But as the first payment failed when it's been confirmed there were sufficient funds in Mr A's account, using the correct payment details, I have no way of knowing if a second attempt would have been successful. So, I can't agree that Mr A would definitely have been prevented from suffering the inconvenience and distress he endured had LV done so. And I must take this into account.

Because of this, and all the reasoning laid out within my provisional decision, I remain satisfied that an additional compensation amount of £100, taking the total compensation to £250, is a fair payment to recognise the impact Mr A experienced. And I must be clear this payment is intended to recognise and compensate Mr A within the individual circumstances of his complaint. This payment is not intended as a punishment for LV, nor is it intended to encourage LV to change their internal processes as this is not for our service to consider, or comment upon. This would instead be for the industry regulator, the Financial Conduct Authority, to consider and Mr A is free to contact them separately about the matter should he wish to do so.

Putting things right

As explained within my provisional decision, any award or direction I make is intended to place Mr A back in the position he would have been in, had LV acted fairly in the first place. To achieve this, I'm now directing LV to remove any record of the cancellation, including its record on any external databases. This fairly recognises LV's failures when communicating with Mr A following the payment failure, and my satisfaction that had they communicated with him appropriately, Mr A would most likely have made payment to avoid the policy cancellation.

And I'm also directing LV to increase the compensation payment by £100, to £250 in total, to recognise the inconvenience Mr A has been caused by the cancellation of the policy. This fairly takes into account LV's offer to consider reimbursing Mr A any additional premium he paid with another insurer, above the renewal premium he expected LV to take.

My final decision

For the reasons outlined above, I uphold Mr A's complaint about Liverpool Victoria Insurance Company Limited and I direct them to take the following action:

- Remove any record of the cancellation, including its record on any external databases; and
- Pay Mr A a total of £250 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 13 April 2026.

Josh Haskey
Ombudsman