

complaint

Mr B complains that Premium Credit Limited (PCL), through which he paid his motor insurance, had not acted on his instructions about payment of that. It had then wrongly cancelled his credit agreement, causing his insurance to be cancelled.

background

Mr B was paying PCL monthly by direct debit. It wrote saying that a direct debit request had been returned unpaid. The letter said that the agreement would be cancelled if a new direct debit had not been set up by 17 October - the day after Mr and Mrs B say they received the letter. Mr and Mrs B rang on 16 October and gave Mrs B's bank details for a new direct debit, but PCL spoke to Mr B the following day to say that he also needed to make the missed payment separately. Mr B says he did not have the bank card there to make a phone payment (and PCL said it did not have the necessary details), but he sent a cheque on 18 October. PCL says it did not receive that. Shortly afterwards, when Mr B tried to tax the car, he found it was not insured. He contacted his insurer and obtained a cover note for seven days, but several weeks later he was stopped by police for driving with no insurance, his car was impounded and later crushed.

The adjudicator proposed to uphold the complaint in part. She considered that PCL had acted hastily by cancelling the agreement in the way it did. It had agreed to pay Mr B £100 compensation for distress and inconvenience, which she considered fair and reasonable.

Mr B disagreed with the adjudicator's view. He remained concerned because his wife's bank had said that the original direct debit had never been requested. The bank had also said that £89.56 had been taken from his wife's debit card account for insurance payments outstanding when the policy was cancelled. Mr B felt that, if PCL had the details to do that, it could also have taken the missed payment in that way. His wife had been asked for her security number when re-setting up the direct debit. Although it was the insurer which had taken the £89.56, he did not think they had ever given that company the card details. He believed PCL must have passed the bank details to the insurer. He also suggested that PCL did not cash the cheque he sent because the £89.56 had already been taken, and taking the missed payment as well would have meant he had paid too much. He felt he was due compensation for the later difficulties resulting from being stopped for driving without insurance.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I can see that there is still some dispute about the cause of the initial problem with the direct debit. That could have arisen in a number of ways. However, when there is no dispute that Mr B knew about the problem in time to resolve it before his insurance was cancelled, then I cannot see that the issue with the direct debit was in itself the cause of the later problems.

PCL admits that it was at fault in not telling Mr and Mrs B when they first called that they needed to make the missing payment as well as resetting a direct debit. But it did call the next day to remedy that, though unfortunately Mr B was not able to make the payment as his wife was not there with her card.

I have thought carefully about Mr B's argument that PCL must have already had the relevant details and could have simply taken the missing payment. However I believe he is mistaken. The £89.56 payment was taken by the insurer (not by PCL) and in a letter to Mr B the insurer said that card details had been given to it when the policy was taken out - along with agreement that those could be used if the policy was cancelled. Therefore that payment does not provide evidence that PCL had kept the details. Nor in any event do I think that, unless previous written authorisation had been given (as with the insurer), PCL could have properly taken a payment from Mrs B's bank card without details being given again and with only Mr B's authorisation. The insurer took its payment on 6 November. That is about three weeks after Mr B says he sent the cheque - so I cannot see that that explains why that has never been cashed, as Mr B suggests.

I agree with the adjudicator, for the same reasons she gave, that PCL acted hastily in cancelling the agreement in the way it did. But by the end of October Mr B had found out that the insurance had been cancelled, so should have been aware that the issue with the agreement had not been resolved. In all the circumstances, I also consider that the offer of £100 in compensation is fair and reasonable.

As the adjudicator said, the ultimate decision on whether to cancel the insurance lay with the insurer not PCL. I cannot see that PCL was in any way responsible for Mr B's later difficulties when he was stopped for driving with no insurance, weeks after he had found out that the insurance policy had been cancelled.

my final decision

My final decision is that I uphold the complaint in part. In full and final settlement I order Premium Credit Limited to pay Mr B £100.

Hilary Bainbridge
ombudsman