

## **complaint**

Miss N complains that AXA Insurance UK plc passed the outstanding balance due on her motor insurance policy to a debt collection agency when she unwittingly missed a payment on her agreed repayment plan.

## **background**

Miss N's motor insurance policy with AXA was due to automatically renew in September 2012. AXA sent Miss N reminders about the renewal by email and text message.

Miss N believed she had contacted AXA before the renewal to say that she did not need it. She arranged her motor insurance elsewhere. However, AXA had no record that she did not want to renew her policy, and so it automatically renewed. Miss N was sent email confirmation of this.

But Miss N did not realise that the policy had renewed and made no payments towards her premium. AXA then contacted Miss N in October 2012. As no premium payment had been received, it had cancelled the policy and said Miss N owed the balance for the time insured of £62.08 as well as a cancellation fee of £52.50.

Miss N complained that she had told AXA that she did not want to continue with the insurance before the policy renewed, and that this had meant she had been insured to drive the same car with two separate companies. She said she was not willing to pay any money when she did not want or need the insurance AXA provided.

AXA said that all of its policies renewed automatically and it had sent Miss N a number of reminders of this. It had no record of her contacting it before the renewal. It said that the insurance had been cancelled as the payments for it were not made and its actions were justified. It said that Miss N had a balance of £114.58 outstanding on her agreement.

Miss N was unable to show that she had called AXA to say that she no longer needed the insurance and so she agreed to a repayment plan of £10 a month to pay off the outstanding balance.

The payments were made each month until August 2013, when AXA was unable to collect the payment from Miss N. It then referred the remaining balance of £24.58 to a debt collection agency, and charged Miss N an administration fee of £25 for doing this.

Miss N said that she had been sent a new bank card but not been aware that the payment would be affected by this. But AXA said that Miss N had been told that if any payment towards the repayment plan were declined then the balance would be passed to an external debt collection agency.

Our adjudicator recommended that the complaint should be upheld. She said that Miss N had kept to the repayment plan up until August 2013, and she was persuaded that the payment had failed as Miss N had received a new bank card and did not realise that the payments were taken using her card details rather than directly from her account. The adjudicator said that AXA did not contact Miss N to say that the payment had been missed or give her the opportunity to make it up. The adjudicator recommended that the outstanding debt should be waived and that AXA should pay Miss N £50 for the distress and

inconvenience caused by the lack of communication and the potential consequences of referring the debt.

AXA did not accept that the adjudicator had given adequate consideration to all of the aspects of the complaint and was biased towards Miss N by assuming what she would have done. It said that Miss N had been made aware that if a payment to the repayment plan failed, the account would be passed to a debt collection agency and the repayment plan had been set up as a gesture of goodwill. AXA also said that the amount of compensation the adjudicator had recommended was excessive.

### **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 appreciate that AXA has referred to previous payment issues it experienced with Miss N. I am not certain whether this refers to the payment not being made to the renewed policy, or to instances before that. But AXA has not provided any information to support these previous payment problems and I note that it was willing to offer continued insurance to Miss N through the renewal of her policy.

Although AXA has no record of receiving a telephone call from Miss N before the renewal to say that it was not wanted, it is reasonable to accept that Miss N was unaware that the policy had renewed considering she had made arrangements for alternative motor insurance. From her submissions, it would seem that she did not have access to the email address AXA's messages were sent to for a period of time. Although it is not clear whether this was throughout the time of the renewal, the email contact she had with AXA during her complaint was from a different email address.

However, if Miss N believed that she was no longer insured with AXA, it is understandable why no payments were made to the policy.

Miss N agreed to repay the outstanding balance on the policy when she felt she could not demonstrate that she had telephoned AXA before it renewed. This balance was made up of the time she was covered by the insurance together with a £52.50 cancellation fee.

Miss N paid nine successful payments of £10 each to the outstanding balance before the missed payment. She has told us that her bank issued her with a new bank card for her account and she did not realise that the payments were not taken directly from her account.

Although Miss N had not provided AXA with her bank account number and sort code, that does not mean that I consider she will have understood that the payments were being taken from her bank card rather than directly from her account, simply because of the information she had given AXA. It is likely that the payments would be showing on her account details as being made to AXA, but I am not persuaded that this would have meant she should have realised that a new bank card could affect how the payments were met.

The remaining balance on the account was £24.58 when this payment failed. In all the circumstances, I find it unlikely that Miss N would not have wanted to complete this agreement rather than risk incurring further charges or impact upon her credit record by the debt being referred to a debt collection agency. If Miss N had been made aware that the payment had failed and had been given the opportunity to make it up, I consider it likely that

this is what she would have done to prevent her details being passed to a debt collection agency and her debt increasing.

It is because of this that I consider that the outstanding debt of £49.58 (made up of the £24.58 plus the £25 administration fee) should be waived. I also agree that Miss N has suffered unnecessary distress and inconvenience through this matter which has caused her to be contacted by the debt collection agency.

**my final decision**

My decision is that I uphold this complaint. I require AXA Insurance UK plc to:

- arrange for the debt collection agency to cancel the remaining balance on the account for Miss N;
- ensure any reference to this debt is removed from records with credit reference agencies;
- pay Miss N £50 for the distress and inconvenience caused by the situation.

Cathy Bovan  
**ombudsman**