

complaint

Miss P complains Automobile Association Insurance Services Limited (the AA) cancelled her home emergency insurance without telling her.

background

Miss P had AA home emergency insurance. But in October 2016 the AA cancelled it. This was because she had arrears from the previous policy period. Miss P only found this out when she called the AA a number of months later. She was calling to arrange the annual boiler service provided by the policy. Despite cancelling the cover the AA had continued to take direct debit payments from Miss P. It said this happened because of a systems error.

When Miss P complained it refunded what it had taken. But she's unhappy she wasn't told the cover had been cancelled. And that she had to pay £250 for a private boiler service. She's also unhappy at £12 administration charges the AA made when some of her direct debits went unpaid. And she wants compensation for the inconvenience she's been caused.

Our investigator didn't think the AA had treated Miss P fairly. She said it should refund any late payment charges. And she felt it should pay £50 for the distress and inconvenience it'd caused. The AA said it'd already refunded Miss P what she'd paid for the cancelled policy and the administration charges. It agreed to the £50 compensation. But Miss P didn't think that was enough. So the complaint has come to me for a final decision.

my findings

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

The policy was cancelled due to arrears from Miss P's previous policy period. The AA wrote to warn Miss P that it would be cancelled if she didn't pay the arrears. But it didn't send her a letter to confirm it had been. So it might not have cancelled the policy fairly. When a policy is cancelled unfairly and the policyholder loses out as result this service sometimes makes insurers put a policy back in place. But I don't think she did lose out.

The full premium for the cover was about £434. Because it was cancelled Miss P had to pay £250 for a boiler service. But she hasn't said that she missed out on any other benefits of the policy or had to pay for anything that might have been covered by it. So the costs she faced for not having the policy were less than what she would have been charged for the cover. If it were put back in place Miss P would need to pay the AA the cost of the premium minus what she paid for the boiler service. So she'd have to pay the AA nearly £200 for no benefit.

The AA says the cancellation isn't recorded on the insurance industry database. So the cancellation shouldn't affect her ability to take out other insurance. So even if the policy was cancelled unfairly there wouldn't be any benefit for Miss P if it was put back in place.

The AA incorrectly took about £275 from Miss P through direct debits. This included £24 in administration fees for the unpaid direct debits. The AA's paid her £313 so far. That's about £35 more than she paid including the fees. So the AA's already refunded the fees, so it doesn't need to again. And it's written off the £78 arrears, from the previous policy, which caused this policy to be cancelled.

The AA has caused Miss P unnecessary inconvenience. For example, it's taken money it shouldn't have. It didn't let her know the policy had been cancelled. So Miss P didn't realise she wasn't covered for a number of months. And Miss P had to arrange a private boiler service. She thinks she should be paid more than the £50 our investigator recommended. But I think £50 is fair. This is especially so considering the AA's already refunded her about £35 more than it took and written off the £78 debt.

my final decision

For the reasons given above, Automobile Association Insurance Services Limited will need to pay Miss P £50 to make up for the unnecessary distress its caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 16 October 2017.

Daniel Martin
ombudsman