

## **complaint**

Mr S is unhappy with how IGO4 Limited handled the cancellation of his car insurance policy. He's particularly unhappy his account was passed to a third party debt recovery agency before IGO4 said it would be.

## **background**

In my provisional decision of 2 November 2018 (a copy of which I've attached to this final decision), I explained why I intended to uphold Mr S's complaint.

Both Mr S and IGO4 have accepted my provisional decision.

## **my findings**

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

I've seen no reason to change my findings on this complaint from those I set out in my provisional decision. And, as I've already mentioned, Mr S and IGO4 have accepted it. So I've decided to uphold Mr S's complaint.

## **my final decision**

For the reasons I gave in my provisional decision of 2 November 2018, I uphold Mr S's complaint and direct IGO4 to put things right as follows.

IGO4 says it's arranging for a cheque for £92.32 to be sent to Mr S, which is the refund it says is due to him for his original policy being backdated by the insurer to October 2017.

IGO4 also says it has instructed the debt recovery agency to refund Mr S £266.66 (which is the renewal balance of £341.66 he paid it minus the £75 IGO4 says he's already been refunded).

My decision is that it's right IGO4 Limited should ensure Mr S is paid these amounts.

I also direct IGO4 Limited to:

- Pay Mr S 8% simple interest per year on £341.66 from the date he paid it until the date IGO4 refunded him the £75 cancellation fee. And from this date until the date he gets it back it should pay him 8% simple interest per year on £266.66\*.
- Pay Mr S £200 in compensation for the distress and inconvenience it has caused him.
- Ensure the policy cancellation is recorded on any internal and external databases as having been made by Mr S and issue him with a letter confirming this.
- Amend any credit reference agency notes connected to Mr S's policy cancellation from its records to ensure that Mr S's credit score hasn't been adversely affected by its actions, particularly the instruction of a debt recovery agency.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 16 December 2018.

\*HM Revenue and Customs requires IGO4 Limited to deduct basic rate tax from this interest. But it should give Mr S a certificate showing how much tax it's taken off if he asks for one

Jane Gallacher  
**ombudsman**

## **COPY OF MY PROVISIONAL DECISION OF 2 NOVEMBER 2018**

### **complaint**

Mr S is unhappy with how IGO4 Limited handled the cancellation of his car insurance policy. He's particularly unhappy his account was passed to a third party debt recovery agency before IGO4 said it would be.

### **background**

Mr S took out a car insurance policy through IGO4 in December 2016. He paid for it by monthly instalments. The policy was set up to renew automatically after 12 months.

In October 2017 Mr S disposed of his car – he says he sent it for scrap. But he didn't tell IGO4 about this or make a claim or ask it to cancel his policy, which continued to run.

IGO4 says Mr S's car insurance renewal invitation should've been sent out at the end of November 2017. But, because of an administrative mistake, this didn't happen. What IGO4 says did happen is as follows:

- The day before Mr S's policy was due to expire, IGO4 manually renewed it. But, for reasons that aren't clear, it couldn't take payment for the renewal by monthly instalments. So, instead, it tried to collect the whole of the annual renewal premium of £522.41 in one go. But it wasn't able to do this either.
- On the same date, IGO4 e-mailed Mr S to say it couldn't collect the premium and required payment in full within seven days. (Mr S says he didn't see this or subsequent e-mails IGO4 sent him, possibly because he'd given IGO4 an old e-mail address.)
- After that, on various dates, IGO4 sent Mr S e-mails, and some letters, asking him to get in touch about his car insurance. On each occasion it gave him seven days to do this and warned his policy would be cancelled if he didn't.
- At the end of January 2018, IGO4 cancelled Mr S's policy and wrote to him saying he owed it £341.66 for the period he'd been on cover.
- In the middle of February, Mr S contacted IGO4 to say he was unhappy about the balance he'd been told he owed. A couple of weeks later, IGO4 agreed to uphold his complaint in part. It said it would waive his £75 cancellation fee because of its delays in cancelling the policy.
- In the middle of March, Mr S got a final warning letter from IGO4 saying if he didn't pay £266.66 (the original balance minus the £75 cancellation fee) within seven days, the matter would be passed to a debt recovery agency. But it seems an agency had already contacted Mr S before this date. I say this because Mr S has shown us an acknowledgement from the agency, dated the day *before* IGO4 sent its final warning, showing he'd paid it £341.66.

The investigator who looked at Mr S's complaint upheld it. Broadly, she didn't think it was reasonable of IGO4 to renew the policy by trying to take the full annual premium when Mr S

had previously paid by monthly instalments. She therefore thought IGO4 should refund him the £341.66 he paid the debt recovery agency.

IGO4 disagreed. It said it dealt appropriately with Mr S's complaint by partially upholding it.

Mr S recently got proof from the DVLA that he disposed of his car in October 2017. IGO4 had previously said if Mr S gave it this evidence, it would pass it to the insurer to review.

Very recently, IGO4 has told us the insurer has agreed to backdate Mr S's policy to October 2017. Consequently, IGO4 says it has instructed the debt recovery agency to refund Mr S £266.66 (the original renewal balance he paid minus the £75 cancellation fee IGO4 says it has already refunded him). It also says it's arranging for a cheque for £92.32 to be sent to Mr S, which is the refund it has told us is due to him for his original policy being backdated to October 2017 by the insurer.

### **my provisional findings**

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 intend to uphold Mr S's complaint. I'll explain why.

When Mr S took out his car insurance, he agreed to pay for it by monthly instalments. He also agreed to it being renewed automatically by monthly instalments.

The terms and conditions said that, in good time before the renewal date, IGO4 would send Mr S a renewal invitation setting out all the details of his new insurance policy, including the premium. It said if he paid by monthly instalments, in most cases, he wouldn't need to do anything – his policy would be renewed and his monthly instalments would be collected from his bank as usual.

But, as I've explained, this didn't happen. Instead, when it couldn't take payment by monthly instalments, IGO4 tried to take the full amount of the annual premium the day before Mr S's policy was due to expire. And IGO4 renewed his policy even though it was unable to take the payment. I don't think it should've done this.

When IGO4 found it couldn't take the premium, I would've expected it to tell Mr S this and advise him it couldn't renew his policy until he paid, meaning his car insurance would expire. I say this even though IGO4 was trying to put cover in place the day before Mr S's insurance expired.

And if IGO4 had done things as I would've expected, Mr S wouldn't have had a "debt" on his account. So no debt recovery agency would've been called in.

This brings me to the next aspect of Mr S's complaint. I don't have all the correspondence but, from what I've seen, it looks as if IGO4 had passed Mr S's details to the debt recovery agency before it had given him notice it would do so if he didn't pay within seven days.

Our investigator acknowledged this meant Mr S felt he had to pay the debt recovery agency. But I intend to go further. I think Mr S would've been confused and upset about what was going on and under pressure to do something. And, indeed, Mr S says he couldn't afford the financial costs or stress. From what I've seen so far, I don't think IGO4 treated Mr S fairly by

instructing a debt recovery agency before it had given him a final warning to pay and a timeline for doing so. And that's why I intend to direct IGO4 to pay Mr S £200 in compensation for the distress and inconvenience it has caused him.

### **my provisional decision**

For the reasons I've given, I intend to uphold Mr S's complaint.

IGO4 says it's arranging for a cheque for £92.32 to be sent to Mr S, which is the refund it says is due to him for his original policy being backdated by the insurer to October 2017.

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Jane Gallacher  
**ombudsman**