

complaint

Mr S complains that Tradewise Insurance Company Limited cancelled his trade motor insurance policy and refused to meet a claim he had made under the policy.

background

Mr S made a claim on his motor insurance policy. Before accepting it, Tradewise asked him to provide proof of trading. When he failed to do so, Tradewise cancelled the policy and rejected his claim.

The adjudicator recommended that the complaint should be upheld. He said that if Mr S's failure to provide proof of trading was so important, Tradewise could treat the policy as having been voided (ie as if it had never existed). If it chose to do that it would need to repay Mr S all the premiums he had paid. Alternatively Tradewise could meet the claim. The adjudicator said in that case Tradewise would be entitled to the full premium for the year. Tradewise offered to deal with the claim on that basis. But Mr S still feels Tradewise has acted unfairly in its insistence that he should have provided documentary evidence of trading.

my findings

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

The statement of fact provided to Mr S when he took out the policy in December 2012 says:

"Tradewise may at anytime, and in the event of a claim request documentary evidence of your motor trade activity. The type of documentation that will be requested is listed below and therefore we would advise that you ensure you keep accurate and up to date records of your business. Failure to supply the information when requested may result in your policy being cancelled or void and all claims declined."

- 1. Copies of purchase receipts and sale invoices for any vehicles bought or sold or copies of purchase receipts or sale invoices for any parts etc.*
- 2. Copies of any advertisements for the motor trade business*
- 3. A copy of the company accounts*
- 4. Copy of the company letterhead (if available)*
- 5. Copy of the stock book*

I find that this provides clear information both about the requirement for proof of trading and what documents will be accepted. I take the view that it is not unreasonable for a motor trader to keep some written record of the sales the business has made. In any event since a copy of the letterhead or trade advertisement is acceptable, I am satisfied that the requirement is not hard to comply with.

Mr S says that sales were down in October and November, and that Tradewise could have come to his address to see for itself his stock. But I consider it would not be practicable or an efficient use of time, for Tradewise to do this. Particularly when the requirement could easily have been satisfied by providing the kind of documentation which it's reasonable to expect a motor trader to have. Even if Mr S's sales were down in October and November, this shouldn't have been a problem. The deadline set by Tradewise for Mr S to provide proof of trading was 18 October 2013.

I am satisfied that if he had been able to provide evidence of trading immediately prior to October 2013 and/or at the time of the accident, this would have been accepted by Tradewise. The problem was not the time for which proof was asked for, but Mr S's failure to provide any documentation at all.

Mr S says that he was only a part-time trader. But I take the view that even a part-time trader, could reasonably be expected to have some proof of his or her trading activity – even if it was a copy of an advertisement for a vehicle being sold by the business.

I find that Tradewise was entitled to cancel Mr S's policy when he failed to respond to its reasonable request for proof of trading. But as there was a valid policy in place at the time Mr S made his claim, I am satisfied that, unless Tradewise wishes to treat the policy as void, it should accept his claim. That is also probably the better option for Mr S. If Tradewise were to treat the policy as void, Mr S would need to declare this when he applied for motor insurance with another company. This may make it difficult for Mr S to find affordable motor insurance in the future. I make no award for financial loss or distress and inconvenience. This is because I consider that the problem could have been avoided if Mr S had provided Tradewise with the proof of trading that it asked for.

my final decision

My decision is that I uphold the complaint. Tradewise Insurance Company Limited should now:

- Accept Mr S's claim under the terms of the policy and pay him the balance outstanding after taking into account the amount reimbursed on cancellation of the policy;
- Pay Mr S 8% simple interest on any cash settlement from the date the claim was refused until the date of settlement.

Melanie McDonald
ombudsman