

complaint

Mr S complains that Hastings Insurance Services Limited (trading as Hastings Direct) didn't tell him his commercial motor insurance policy had been cancelled. It's now declined to deal with another driver's losses and Mr S's premium has increased.

background

Hastings said it couldn't take payment for Mr S's renewal premium. So it sent Mr S his renewal documents and a notice of cancellation on the same date. Mr S said he didn't receive the cancellation letter, but Hastings didn't then collect his annual premium from his account. Mr S later made a claim on the policy which Hastings accepted before he was told he was uninsured. So Hastings agreed to pay his claim for vehicle damage, less his excess, and offered him £50 compensation for any inconvenience. But Hastings then declined to pay the other driver's claim.

Our investigator recommended that the complaint should be upheld. She thought it was reasonable for Mr S to ignore the cancellation letter as he had the policy documents. There were sufficient funds in his account to pay the premium. Hastings would have offered him cover. She couldn't find out why the payment hadn't been taken. She thought that Hastings hadn't made it clear the policy would be cancelled.

So she recommended that Hastings should reinstate the policy from the renewal date, and Mr S should then pay the premium. She thought it should remove the record of cancellation and pay Mr S £200 for his trouble and upset.

Hastings replied that it was up to Mr S to make sure he was insured. Hastings had told him it couldn't take the payment. As no cover was in place, it thought it shouldn't then be responsible for the other driver's losses. It said it'd paid for Mr S's repairs because it had incorrectly told him it would do this before it told him he wasn't covered.

my findings

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

Mr S said he auto-renewed his policy with Hastings and so he reasonably thought he had cover in place. Hastings said the policy wasn't renewed because it couldn't take the payment for it.

Our approach in cases like this is to consider whether the insurer's acted fairly and reasonably and in line with the terms and conditions of the policy. The renewal letter said payment would be taken from Mr S's card. The letter contained terms and conditions which said that Hastings wouldn't automatically renew the policy if payment wasn't authorised.

The payment wasn't taken but it's unclear why this happened. Hastings thought this might be due to insufficient funds or that the card details had changed. Mr S has provided us with his bank statements from the time of renewal. I can see that he had ample funds available to cover the cost. Mr S said he didn't check his statements. So he didn't know that payment hadn't been taken.

Hastings wrote to Mr S to tell him that it hadn't received his payment and warned him that his policy would be cancelled. It told him to call it to make a payment. Mr S said he didn't receive this letter, but I can't hold Hastings responsible for the postal service.

But Hastings has shown us that the cancellation letter would have arrived with Mr S within one or two days after 26 February 2016. It told us the renewal documents would have arrived one or two days after 29 February 2016.

So, even if Mr S had received the cancellation letter, I think he had cause to reasonably ignore it. This is because it was then followed during the notice of cancellation period by the renewal letter and policy documents. I think it would be reasonable for Mr S to think that his policy had been renewed and that all was well.

So I think that Hastings did make a mistake by not making it sufficiently clear to Mr S that his policy hadn't been renewed. The consequence has been that it has declined to deal with the other driver's claim and Mr S may be pursued for his losses. I don't think this is fair or reasonable. Hastings would have offered cover if the payment had been made. Mr S has since been accepted for a new policy with Hastings. So I think Hastings should fairly reinstate cover from the date of renewal and ask for payment of the premium from Mr S.

Hastings has already reimbursed Mr S for his repair costs, less his excess, because it accepted the claim before finding that cover wasn't in place. I think it should now deal with the claim according to the policy terms and conditions.

It took two months for Hastings to find that Mr S didn't have cover in place. It's offered him £50 compensation for the trouble this caused. But I don't think this is reasonable. I think its error has caused him worry and considerable trouble. I agree with the investigator that Hastings should pay him £200 compensation for this.

It's unclear whether the cancellation was recorded on any external databases. But I think this would be unfair, so I think Hastings should remove any record of the cancellation that it's made.

my final decision

My final decision is that I uphold this complaint. I require Hastings Insurance Services Limited (trading as Hastings Direct) to do the following:

1. Reinstate Mr S's cover from the renewal date, ask Mr S to pay the premium required and then deal with the claim according to the policy terms and conditions.
2. Pay Mr S £200 compensation for the trouble and upset caused him.
3. Remove any record of cancellation of the policy from internal or external databases.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 12 January 2017.

Phillip Berechree
ombudsman