

## complaint

Miss T complains that Zurich Insurance plc wrongly cancelled her motor insurance policy without telling her. She should receive a refund of the whole of her annual premium, she says.

## background

A broker acted as intermediary between Miss T and Zurich. She purchased an annual policy and arranged a card payment of about £390. Through the broker as its agent, Zurich cancelled the policy and later made a partial refund. Police stopped Miss T on suspicion of driving without insurance.

The adjudicator recommended that the complaint should be upheld in part. He did not conclude that Zurich cancelled the policy fairly or reasonably. The adjudicator said that it was not very clear that the policy was going to cancel and would have been very confusing for Miss T. He recommended that Zurich should:

1. charge Miss T strictly pro rata for its policy (that is waive all additional charges, interest and commission etc.);
2. add 8% simple interest to the amount of any further refund to Miss T;
3. provide Miss T with a letter to confirm that it had unfairly cancelled the policy due to its error;
4. pay Miss T £500 to reflect the distress she had experienced as a result of its actions.

On behalf of Zurich, the broker disagrees with the adjudicator's opinion. It says, in summary, that its communications with Miss T were clear.

## my findings

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

Where the evidence is incomplete, inconclusive or contradictory (as some of it is here), I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Miss T was the policyholder and a relative was a named driver.

There was quite a lot of correspondence about documents and some telephone conversations. And I can see from her emails that Miss T became frustrated.

There is conflicting evidence about key communications in October.

I have seen an email from Zurich to the broker instructing it to cancel the policy. So I accept that the broker was acting as the agent of Zurich, which was responsible for its actions. The broker has provided a copy of a letter to Miss T saying:

*"We refer to the above policy and note that we do not appear to have received the following as requested:*

*Copy of the front and back of [named driver] Licence card*

*Copy of [named driver] Counterpart Licence*

*Copy of all pages of your V5 vehicle registration documents  
Evidence of your driving history*

*Therefore, the policy will cancel in seven days and as a result all cover  
provided by policy number ... in respect of vehicle registration number  
... will cease at 12:00 noon on 26th October 2013."*

There was further contact between Miss T and the broker. And I have seen an exchange of emails from which Miss T says she was waiting to hear from the broker.

But I have also seen a later letter from the broker saying:

*"Please note your policy has been cancelled from the 28Oct 2013 and no cover is  
provided by this policy after this date."*

So Zurich had cancelled the policy with effect from about five weeks after Miss T took it out.

The copy letters bear Miss T's address. And the broker's file records that it sent them. Therefore I find on balance that the broker sent letters in the terms quoted above.

But I have not seen any evidence that Miss T received those broker's letters. On balance I accept that – through no fault of either her or Zurich – she did not see them.

From my review of the broker's file, I consider that overall the communication with Miss T was confusing. So I do not conclude that Zurich treated her fairly and reasonably by cancelling her policy. I will order it to send Miss T a letter (which she may show to current and future insurers) saying that it cancelled her policy in error.

About two weeks before Christmas the broker refunded about £231 to the payment card. From what the broker has said, I find it likely that the figures were approximately as follows:

Zurich annual premium	£367.95
Broker admin charge	£19.46
Sub-total	£387.41
Zurich charge for time on cover	£37.30
Zurich refund to broker	£330.65
Broker's 15% levy	£49.60
Unidentified debit	£49.60
Broker's refund to Miss T	£231.45

I conclude that Zurich's charge of about £37 and its refund of about £330 were proportionate to the five weeks on cover and the balance of the annual premium.

From the arithmetic, I find it likely that the broker levied both the debits of about £49. But I consider it fair and reasonable to order Zurich not to charge Miss T any more than the amount of about £37 – and to add interest at our usual rate to any further refund.

I note that the broker offered to refund the levy of about £49. Miss T may wish to renew her complaint to the broker about its refund to her.

On Boxing Day police stopped her car. In order to prevent them taking it, she and the broker arranged a one-month policy with another insurer.

A couple of days later, Miss T asked the broker to cancel that policy. After she complained, the broker said that it had refunded the cost of the temporary policy.

I see that the police charged Miss T. And I have seen the court's memorandum of what happened. It says that it dismissed the charge after the prosecution offered no evidence. It also says:

*"Defendant Present: No"*

So I find it likely that – although Zurich's unfair cancellation had caused her the trouble and upset of being stopped and charged, Miss T entered a plea of not guilty and was spared a trial. Overall I conclude that £450 is fair and reasonable compensation for distress and inconvenience.

### **my final decision**

For the reasons I have explained, my final decision is that I uphold this complaint in part. I order Zurich Insurance plc to:

1. send Miss T a letter saying that it cancelled its policy in error;
2. not charge Miss T more than £37.30 in respect of its cancelled policy;
3. add simple interest to any further refund at the annual rate of 8% from 31 October 2013 to the date of any such further refund. If it considers it has to deduct tax from the interest element of my award, it shall send Miss T a tax deduction certificate when it pays her. She can then use that certificate to try to reclaim the tax, if she is entitled to do so.
4. pay Miss T £450 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I am required to ask Miss T to accept or reject my decision before 20 April 2015.

Christopher Gilbert  
**ombudsman**