

complaint

Mr T has complained that Be Wiser Insurance Services Ltd unfairly cancelled his motor insurance policy.

background

Mr T rang Be Wiser the day before his motor policy was due to renew because he didn't have enough money in his account to pay the direct debit. Be Wiser told him that, as the "payment cycle" had begun he couldn't pay by an alternative method at that time. It said it would try and take the payment again at a later date and he'd have to pay a £30 late payment charge.

Two days later Be Wiser wrote to Mr T. It said that his payment hadn't gone through as "the mandate was not recognised" by Mr T's bank. It said it would try to take the money again on 23 October 2017. Later the same week Be Wiser wrote again to Mr T to say that he needed to make payment or it would cancel his policy.

On 26 October 2017 Be Wiser cancelled the policy and backdated the cancellation to the date the policy was due to renew. It then sold Mr T a new policy for a higher premium.

Mr T didn't think that was fair and brought his complaint to us. The investigator didn't think that Be Wiser had dealt with Mr T fairly. She looked at the difference in price between the cancelled policy and Mr T's current policy, which came to a total of £64.04. She said that Be Wiser should refund Mr T that sum. She added that it should pay him £75 to address his distress and inconvenience.

Be Wiser didn't agree so his complaint's been passed to me to decide.

my 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'm going to uphold it.

Mr T knew that his account didn't have enough money in it to meet the direct debit payment and he tried to arrange to pay it using another method. But it was too late for Be Wiser to be able to sort that out. It told him on the phone that it would try to take the money in seven days. It then wrote to him to say that it would try to take the funds on 23 October 2017. Be Wiser's told us that it was its agents who process its finance agreement that wrote that letter. But it's on Be Wiser headed paper and is signed as being on behalf of Be Wiser. So I think Mr T could rely on that letter as being sent by Be Wiser.

Be Wiser then sent a letter which indicated that it might cancel Mr T's policy if he didn't contact it to make payment. But the letter is muddled and doesn't show a date by which he needed to make payment. And only days earlier Be Wiser had told him - both on the phone and by letter - that it would try again to take the direct debit. So I don't think Mr T would have realised he needed to contact Be Wiser to make payment or otherwise it would cancel his policy. But that's what Be Wiser did and I don't think that's fair.

It seems that Be Wiser actually cancelled the policy because it misunderstood the situation. The letter telling Mr T that his bank didn't recognise his direct debit mandate was incorrect. There was nothing wrong with the mandate. The bank didn't pay the direct debit because

there wasn't enough money in the account. The letter Be Wiser's agents sent saying there was an issue with the mandate is a *standard* letter. But it wasn't appropriate in this case because it wasn't right. And it led Be Wiser to think there was a problem with Mr T's direct debit mandate when that wasn't the case. And because of that it told its agents to cancel the direct debit. But it didn't tell Mr T it had done that. And he would have been expecting Be Wiser to take the payment on 23 October 2017. But the reality was that Be Wiser had already cancelled the direct debit.

Because Mr T didn't make the payment by other means, Be Wiser cancelled his policy. But given that it had twice told him it would take the premium payment from his bank, I think he would have expected Be Wiser to do that. I don't think its muddled letter warning of possible cancellation was clear enough. So I don't think it was fair for Be Wiser to cancel the policy as it did. And, I think it's reasonable that Be Wiser notes the reasons for the cancellation as being its error on any internal and external databases.

Mr T took out another policy through Be Wiser. But it couldn't match the premium of the one it cancelled. And the new policy was more expensive. Be Wiser said it had managed to reduce the price of that policy by £115. But £60 of that reduction was for removing some of the cover. So I don't think that amounts to any form of goodwill gesture or in anyway addresses Be Wiser's mistakes. That means it secured a £55 discount for Mr T. That might be the case but the fact remains that because of its error in cancelling the policy when that wasn't warranted Mr T had to pay more for its replacement. He wouldn't have incurred those extra costs if Be Wiser hadn't made a mistake. So I think it's fair that Be Wiser refunds the difference in the costs of the two policies, which - after including arrangement fees and interest on the finance agreement - comes to £64.04.

Also, I understand that Be Wiser's actions have been a source of distress and inconvenience for Mr B, so I think it should pay him £75 compensation to address that.

my final decision

For the reasons set out above I uphold this complaint. I require Be Wiser Insurance Services Ltd to:

- Record the reason for the policy cancellation as being its error on any internal or external database.
- Refund Mr T the total difference between the costs of the cancelled policy and his current policy amount of £64.04.
- Pay him £75 compensation.

It should take the above action within 28 days of us telling it that Mr T has accepted my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision to the date of payment at a rate of 8% a year simple¹.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 9 April 2018.

¹ If Be Wiser pays interest and considers that it's required by HM Revenue & Customs (HMRC) to take off income tax from that interest, it should tell Mr T how much it's taken off. It should also give Mr T a certificate showing this if he asks for one, so he can reclaim the tax from HMRC if he wishes to.

Joe Scott
ombudsman