

## **complaint**

Mr R complains that Premium Credit Limited provided poor service when it gave him a loan to pay for insurance.

## **background**

Mr R took out a comprehensive motor insurance policy with a third party that I'll call E in February 2016. Mr R borrowed the money to pay for the policy from Premium Credit. And the finance and the insurance were both arranged by a broker, that I'll call H. The following October Mr R discovered E was insolvent and the Financial Services Compensation Scheme (FSCS) had stepped in to provide cover the previous July.

Mr R says that cover was limited, so he paid Premium Credit for a level of cover that wasn't available for three months. He thinks he'd have been out of pocket if he'd needed to claim during that time. And Premium Credit should refund the monthly instalments paid for those months.

FSCS provided some compensation to policyholders when E went into liquidation. Mr R thinks it was wrong of Premium Credit to keep most of that money at first - he had to chase Premium Credit to get it back. He also feels Premium Credit should have told him E was in liquidation in Jul. Then he would have had the opportunity to arrange alternative cover. Mr R says it would have been cheaper to take out a new policy at that stage. And he'd have been entitled to one year's no claims discount (NCD) four months earlier and saved money.

Mr R says he's also lost over £230 when he couldn't work while he arranged a new policy - because he needs fully comprehensive cover for his private hire work. He thinks Premium Credit should make up for these losses and pay compensation for poor service.

Premium Credit says it didn't know which borrowers had cover with E. So it was up to insurance brokers like H to tell policyholders what was happening. And Mr R has been paid all of the FSCS compensation so he's not entitled to a further refund.

Our investigator doesn't think Premium Credit was wrong to keep the FSCS compensation initially - because that money was provided to repay the balance of Mr R's loan. She's satisfied Mr R had cover from July until October 2016 and he isn't entitled to an instalment refund. Overall, she's not persuaded there's enough evidence to hold Premium Credit liable for any other losses Mr R may have incurred and she doesn't recommend the complaint should be upheld.

Mr R says it's unfair that Premium Credit has kept premiums he paid for insurance he didn't have. He considers Premium Credit should have told him about E in July and he's worse off because it didn't. He asked for an ombudsman to review the matter.

## **my findings**

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

I can see that Mr R feels very frustrated by what's happened here. Through no fault of his own his insurance was cancelled. He's been put to some trouble to arrange a new policy and says he has lost out financially.

I have sympathy for the situation Mr R finds himself in. But, I can only uphold this complaint if I'm satisfied that Premium Credit did something wrong - or failed to do something it should have done - and that caused Mr R loss. I am sorry to disappoint Mr R but, on the evidence I've seen, I'm not persuaded that's the case here and I've explained why below.

Premium Credit didn't supply this insurance - it gave Mr R a loan so he could pay for it. I've considered the terms of the credit agreement. It sets out what will happen if insurance is cancelled in the way it was here. In summary, and insofar as I consider it relevant, it says (at paragraph c.6.3)

*"you irrevocably direct ...the FSCS to pay directly to us any sum...to which you may become entitled...by virtue of cancellation...in order to repay ...the outstanding balance[of the loan]"*

I'm satisfied that means Premium Credit could apply any compensation paid by FSCS to pay off the balance of Mr R's loan. Premium Credit has refunded the full amount of the compensation it received from FSCS to Mr R. And I think that's more than it was obliged to pay him, in this situation.

I appreciate Mr R considers Premium Credit should give him a bigger refund and pay for additional losses. But, I'm satisfied Mr R had insurance between July and October 2016 provided by FSCS. He didn't need to make a claim during that time. And, even if he had cancelled the insurance sooner, I think Mr R would still have had to pay another insurer for cover for those months. So, I'm not persuaded he's out of pocket.

Mr R says Premium Credit should have told him about E's liquidation in July 2016 and he's out of pocket because it didn't. I've thought about what Mr R says carefully. I can see Mr R has also complained to H about this. And H appears to have accepted it should have told Mr R that E was going into liquidation and paid Mr R £250 compensation for that.

From the evidence I've seen, I can't be certain that a new policy would have cost less in July than it did in October. I think it would probably have taken the same amount of time to arrange a new policy then, as it did a few months later - so any related inability to work would have had the same effect. And I can't be sure what might have happened to Mr R's NCD if he had switched policies sooner.

Taking everything into account, I am not persuaded there's enough evidence here for me to hold Premium Credit responsible for any losses Mr R may have incurred because E became insolvent. And I'm not persuaded it would be fair or reasonable for me to require Premium Credit to do anything further in response to this complaint.

I realise this isn't the outcome Mr R wanted and I'm sorry if he feels let down. But Mr R doesn't have to accept what I've said, in which case he remains free to pursue the matter by any other means that may be available.

### **my final decision**

My decision is I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 19 June 2017.

Claire Jackson  
**ombudsman**