

complaint

Mr N complains that UKAIS Limited (trading as Auto Direct Insurance) unfairly cancelled his motor insurance policy and mishandled a claim on it.

background

When Mr N took out a policy through Auto Direct, he agreed to set up a monthly direct debit (DD). Shortly afterwards, he and a third party were involved in an incident. After some problems with his payments, Auto Direct cancelled his policy.

The adjudicator did not recommend that the complaint should be upheld. He did not conclude that it was unreasonable that Auto Direct cancelled the policy. He said that Mr N did not contact it to discuss the matter once his DD mandate was cancelled. So the adjudicator was satisfied that Auto Direct was entitled to request a new mandate from him and - when this was not received - to cancel the policy .

Mr N disagrees with the adjudicator's opinion. He says, in summary, that – when the policy was cancelled - there was a DD in place and the payments were up to date.

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.

Mr N took out third party fire and theft insurance through Auto Direct. He agreed to pay about £988 by a deposit and ten monthly instalments of about £87 on the 23rd of each month.

He was involved in an incident with a third party in the early days of the policy. I consider that his complaint about the handling of the claim is a complaint about the actions of the insurer named on his certificate of insurance – not Auto Direct.

There were issues with Mr N's payments and some correspondence about this. Auto Direct agreed to change the payment date to the 28th day of each month – starting from May. It also agreed to remove some default fees and to reimburse some bank charges.

I accept that Auto Direct took about two weeks to send Mr N the cheque for the bank charges. But I consider that Mr N must take responsibility for the cancellation (not for the first time) of his DD payment mandate. And I am not satisfied that he had told Auto Direct.

I accept that – by early July – Mr N's instalment payments were up to date. And he only had two further instalments to pay. But I place weight on the following term in Auto Direct's credit agreement:

“OUR RIGHT TO END THIS AGREEMENT

If You...

Do not make any payment on its due date or You cancel your direct debit instruction without giving Us notice...

We may after the expiry of a notice served on You terminate this Agreement and require You to pay the amount outstanding under this Agreement. In the notice We will give You the reasons for termination ...”

So I do not consider it unfair that Auto Direct wrote to him in the following terms:

"We would ask that you return the Direct Debit Mandate within the next seven days. If you do not, then you may no longer be able to pay your premium by instalments. This would mean that the full balance of your account would become payable for cover to continue."

Mr N says he did not receive that letter. But on balance I am satisfied that Auto Direct sent it to him.

Mr N has said that he received a later letter. It said:

"Your bank... are unable to pay the instalment of £87... leaving an outstanding balance... Please contact..."

Our Customer Service team will endeavour to assist you in bringing your account up to date to ensure your insurance continues.

However, failure to contact us means that this letter is your formal notice of cancellation and all cover will stop seven days from the date of this letter if payment is not received. We are authorised by the insurers to act as their agent for the purpose of ending insurance cover."

I accept that Mr N's instalments were up to date. But I am not satisfied that a DD mandate was in place. And I consider that Mr N ignored the letter at his peril.

About two weeks later Auto Direct wrote to Mr N to confirm that it had cancelled the policy (and to claim about £180). He responded by making another payment of about £87. But – keeping in mind the term in the credit agreement - I do not conclude that Auto Direct treated Mr N unfairly or unreasonably by declining to reinstate cover.

my final decision

For the reasons I have explained, my final decision is that I do not uphold this complaint. I make no award against UKAIS Limited.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr N to accept or reject my decision before 13 February 2015.

Christopher Gilbert
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