

complaint

Mr T has complained that Zurich Insurance PLC refused to refund his full premium to him when he cancelled his motor insurance policy.

background

Mr T's policy with Zurich automatically renewed so in line with its policy, Zurich collected the premium using the card details it held for Mr T five days before the renewal date.

Mr T wasn't aware that the premium had already been taken when he called Zurich two days later to pay for his premium. So Zurich refunded the premium back to the card it originally collected from, cancelled his policy, set up a new policy and collected the premium from the correct current card Mr T provided.

Zurich then realised a claim had been made in 2013 but said that Mr T hadn't told it about it. It asked Mr T to provide his V5 registration document and full driving licences for himself and his named driver. Mr T told Zurich that he had told it about the claim in 2013, which Zurich then established and apologised to Mr T for its error. It said it still needed to see both full driving licences and sent Mr T a cheque for £15 for the inconvenience it had caused him by its error. It added the details of the claim to Mr T's policy at no extra cost to him.

Zurich then wrote to Mr T chasing for the driving licences and said if it didn't receive them within the next week it would cancel his policy. Mr T wasn't happy so he cancelled his policy and didn't send the paper licence it still needed from the named driver. Zurich cancelled his policy and kept the premium for the days it covered him. It didn't charge him its cancellation fee of £50 and it pro-rated the fee for the 'add on' products that were otherwise non refundable as a gesture of goodwill.

Mr T complained to Zurich. He said that he didn't receive a renewal invite from Zurich and he didn't see why it had to set up a new policy. Because it had done this, he said it had breached his contract with it. He wanted a full refund of his premium with compensation for the stress its poor service had caused him.

Zurich told Mr T that it was entitled to collect the premium up to five days before the renewal date under the automatic renewal process, and it had paid Mr T £15 compensation for the inconvenience it had caused him by not recording the claim from 2013 when it knew about it. It said that it cancelled his policy when he asked it to, and waived its cancellation fee. So it said it had been fair and reasonable to Mr T in putting things right.

Mr T didn't agree so he brought his complaint to us. The adjudicator who investigated didn't recommend it should be upheld. He felt that Zurich had made a mistake in failing to record the claim, but it hadn't charged Mr T a higher premium as a result of its error, and it paid him appropriate compensation. Overall he was of the view that Zurich had been fair and reasonable to Mr T.

Mr T didn't agree. He said he didn't receive anything in the post from Zurich about the renewal of his policy and it cancelled an existing contract without his permission, breaching his contract with it.

So the matter has been referred 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.

Zurich wrote to Mr T three weeks before his policy was due to be renewed. Although Mr T said he didn't receive anything from Zurich about the renewal of his policy, it is within a bundle of papers Mr T sent to us, so I know that he did receive it.

The renewal invite explained that Zurich would automatically renew Mr T's cover and would collect the premium from a card which it then provided the last four digits for. It said it would collect the premium five days before the renewal date to ensure Mr T received continuous cover. I don't think Zurich failed to tell Mr T about the renewal of his policy and I think it clearly explained when it would collect the premium and how. The purpose of automatic renewal is to provide as little inconvenience as possible to the customer and ensure that he or she remains insured. So I don't think Zurich was wrong to collect the premium a few days before the actual renewal date when it gave proper notice that it would do so.

When Mr T called it three days before the renewal date, he gave his preferred card details for the premium to be collected. Mr T is unhappy that Zurich then cancelled his policy and set up a new one. However Zurich has explained that because it refunded the premium under the existing policy, it had to cancel that policy, and set up a new one. This change didn't affect the cover provided for Mr T, so he wasn't disadvantaged in any way as a result of this change. I therefore don't think Zurich's decision to cancel and set up a new policy had any impact on Mr T.

Zurich did make an error in failing to update its own records with a claim it was aware of from 2013. When an insurer makes a mistake, we consider what it did to put things right. Zurich apologised to Mr T and added the claim to his policy but didn't increase his premium. And it paid him £15 to compensate him for the inconvenience its error had caused him, so I think Zurich put things right fairly and promptly.

Zurich asked Mr T to provide his full driving licences for him and his wife, who was a named driver. Whilst I can understand that it would have caused Mr T some inconvenience to send these documents to Zurich, it's entitled to ask for such documents to support the cover it is providing at renewal or in the event of a change. Instead, Mr T decided he didn't want to send the documents and cancelled his policy. I appreciate that Mr T was frustrated with Zurich, but I don't think its request was unreasonable.

When Mr T told Zurich to cancel his policy, it was almost a month after his policy renewed. This meant that he was outside of the 14 day cooling off period and therefore subject to any cancellation charges that applied to his policy. Mr T's policy said that Zurich would charge a cancellation fee of £50 and the 'add on' products were non refundable. However, Zurich only charged Mr T for the days it covered him and it pro-rated the fees for the 'add on' products, which were key cover and legal protection.

Zurich is entitled to charge for the days it covered Mr T as in the event of a claim during that period, it would be responsible for dealing with the claim. As Zurich was within its terms of its policy to charge Mr T its cancellation fee and the full amount for the 'add on' products, I think it was reasonable to Mr T by not charging him the full fees for cancelling his policy.

So I think Zurich cancelled Mr T's policy fairly and reasonably. And for its error in recording the claim from 2013, I think it also put things right in a fair and reasonable way. Consequently, I don't think it owes him a full refund of his premium or further compensation.

my final decision

For the reasons given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 23 November 2015.

Geraldine Newbold
ombudsman