

complaint

Mr H complains that UK Insurance Limited (trading as Direct Line) didn't tell him that his motor insurance policy hadn't auto-renewed. He was stopped by the police for driving without insurance, fined and had points put on his licence. He seeks compensation for his losses.

background

Mr H has had motor insurance with Direct Line for many years and each year it has auto-renewed. The policy didn't auto-renew in August 2014. Mr H says that he wasn't made aware that this wouldn't happen. Direct Line says that it sent Mr H renewal letters asking him to contact it if he wished to renew. Direct Line explained that in 2013 Mr H added a temporary driver to his policy and because of this auto-renew was automatically removed.

The adjudicator recommended that the complaint should be upheld. She couldn't see evidence that Mr H was warned that the policy would not auto-renew when he added the driver in 2013. She also thought that the renewal letter didn't put Mr H under enough notice that the policy wouldn't auto-renew. She thought that Mr H had a reasonable expectation that the policy would auto-renew as it had done so in previous years. She recommended that Direct Line pay Mr H £500 for his trouble and upset, reimburse the impound fee, the fine and the increased cost of his insurance for the next five years.

Direct Line replied that it thought its renewal invite was quite clear. Mr H was told at least five times as to what he must do to renew his policy. He was also sent a renewal reminder and a renewal lapse letter. Direct Line said that Mr H would have been aware of the auto-renewal process from his previous experience. He would have known he would receive documents shortly after renewal and his instalments would be debited on a certain date. It said Mr H didn't contact it until two months after the policy lapsed to ask where the documents were.

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 understand that being stopped by the police for no insurance after many years of driving must have been a shock for Mr H. It also had a financial impact and has left him with points on his licence. He called Direct Line to sort out what he thought was an administrative error, but was told that it had followed the correct process and he had no insurance.

This service believes that insurers should take reasonable steps to ensure that policy holders are told that their policy hasn't been renewed. This is because this will have serious consequences for them and expose them to possible court action, as happened here.

Mr H said that he expected his insurance to auto-renew, as it had done for many years. Direct Line says that this service was removed when Mr H added a temporary driver during the term of the policy. But I can't see evidence that Mr H was told this at the time. I can see that the adjudicator asked for a copy of the call Mr H made at this time, but this hasn't been provided. I haven't seen any letters sent to Mr H at the time warning him that his auto-renew had been removed.

Direct Line says that it sent Mr H a renewal invitation and then two warning letters that his policy would lapse unless he contacted it. But I agree with the adjudicator that Mr H had a reasonable expectation that his policy would renew and no warning that it would not. He says that he didn't receive any warning from Direct Line. I agree that its renewal letter doesn't carry a warning that the policy wouldn't automatically renew. I agree that the letter doesn't say that it would automatically renew, but I don't think that Mr H had any reason to check this. I don't think that Direct Line did enough to make Mr H aware that his policy wouldn't auto-renew as he expected.

Direct Line says that Mr H should have noticed that his renewal documents hadn't arrived and that his direct debit for the premium wasn't taken. But Mr H was stopped by the police only six weeks after the policy lapsed. I don't agree with Direct Line that he should reasonably have been aware of this and taken action sooner.

This matter has caused Mr H considerable distress and trouble. His car was impounded and he paid a fine and incurred points on his licence. Because of the conviction, he now has to pay higher premiums. I think that Direct Line should reasonably act to restore Mr H's position as much as is possible.

my final decision

For the reasons I've discussed, it is my final decision that I uphold this complaint. I require UK Insurance Limited (trading as Direct Line) to do the following:

1. Pay Mr H £500 for the trouble and upset caused by having his car impounded, incurring a conviction, and having to find the money to pay the fine and impound fee.
2. Reimburse Mr H £300 for the cost of the fine for having no insurance and £150 for the impound fee. Interest should be added at 8% per year to both these, from the date of loss to the date of settlement, less tax if properly deductible.
3. Pay Mr H £212 for the additional premium he will need to pay for next five years when disclosing the conviction.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 7 September 2015.

Phillip Berechree
ombudsman