

## **The complaint**

Mrs K complains that Advantage Insurance Company Limited unfairly cancelled her motor insurance policy.

Advantage is the underwriter of this policy i.e. the insurer. Part of this complaint concerns the actions of its agents. As Advantage has accepted it is accountable for the actions of the agents, in my decision, any reference to Advantage includes the actions of the agents.

## **What happened**

In December 2022, Mrs K renewed her motor insurance policy with Advantage. Shortly after, Mrs K contacted Advantage regarding incorrect information on her policy which was causing her to be charged a higher premium. She says her monthly payments were put on hold during the complaint process to stop her overpaying any further.

Mrs K's monthly instalments were reduced due to her previously overpaying on the policy. However, in mid-2023 Mrs K noticed that not all of the details had been rectified, so she contacted the complaint handler who had dealt with her complaint.

Mrs K says the complaint handler sent her an email saying she would get back to her on 1 August 2023. However, she didn't hear back. Advantage wrote to Mrs K informing her that her direct debit payment for July hadn't gone through. It sent her a further notification saying the policy would be cancelled if she didn't make the payment.

Mrs K emailed Advantage and said she had frozen that month's payment until the issue was resolved. She said that despite proving the named driver on her policy had a non-fault accident, it was still showing as a fault accident. Mrs K sent some further emails chasing for a response.

Nine days after it's previous notification, Advantage told Mrs K that her policy had been cancelled. Mrs K sent further emails to Advantage. She didn't think her policy should have been cancelled when she had an ongoing complaint.

Advantage said the previous handler had explained that her recalculated premiums were to reduce Mrs K's direct debits in February 2023. It said her policy had been correctly cancelled as her payment had not been made. There had been a number of issues with payments since her policy had first started, so it was unable to reinstate it. Advantage apologised that the previous complaint handler had not contacted Mrs K as promised. It paid Mrs K £50 to compensate her for not providing her the service it should have.

Mrs K remained unhappy and asked our service to consider her concerns. Shortly after bringing her complaint to us, she told us that the named driver on the policy had been stopped by the police for driving without insurance. Mrs K's car was impounded, and she had to pay for it to be released as well as paying for impound release insurance. She was also concerned that the named driver would be getting points on his licence that would impact his career if they weren't successful in appealing the police's decision.

After our investigator contacted Advantage, it said it had recalculated Mrs K's premiums to take into account that the named driver was non-fault, and she was due a refund of £109.67.

Our investigator thought Mrs K's complaint should be upheld in part. She thought there was some poor service in that the complaint handler didn't respond to Mrs K's emails. But she thought Mrs K could have done more to try to resolve the issue with Advantage. She didn't think Advantage had cancelled Mrs K's policy unfairly or unreasonably. She also thought Mrs K was aware that her vehicle was no longer insured when the named driver was caught by the police. She recommended Advantage pay Mrs K a total of £200 (including the £150 it had already paid) to compensate her for poor service. She also recommended that Advantage refund Mrs K the £109.67 it owed her with 8% simple interest from the date Mrs K had notified it the error had not been corrected.

Mrs K disagreed with our investigator's outcome. She said she'd emailed Advantage several times after it had initially sent the notice of cancellation explaining that the matter was with the complaints department. She'd received emails saying someone would respond within five days, but no one did. She wasn't able to call as she was abroad.

Mrs K said when she'd sent her initial complaint in December 2022, she'd told Advantage she'd paused her payments until the matter was rectified. It had sent her a notice of cancellation, but it had put a stop to this after she'd emailed it. She said the protocol was not followed in the same way on this occasion.

Mrs K said she wanted Advantage to reinstate her policy and credit the overpayments and she would commence monthly payments.

Mrs K also commented that the overpayment credit would have covered the monthly payments for July and August 2023. She said the policy should not have been cancelled at all and the payments going forward would have been lower than before.

As Mrs K disagrees with our investigator's outcome, her complaint has been passed to me to decide.

### **What I've decided – and why**

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've reached broadly the same conclusions as our investigator. I'll explain why.

The policy's terms and conditions say:

*"Any instalment agreed under a Credit Agreement must be paid on time. If an instalment isn't received by the date it's due, we, on behalf of your Insurer, will give at least seven days' notice of cancellation in writing to the last known address that we have on file by first class post or email. The Policy will end after the seven days' notice runs out."*

The policy renewal documents from December 2022 show monthly instalments of £104.34 a month. On 23 January 2023, Advantage sent Mrs K a letter informing her that her car insurance had been changed. "Any claims/incidents" for Mrs K had been changed from "yes" to "no" and two accidents for Mrs K had been removed from the policy.

Advantage has provided a copy of an updated payment schedule from April 2023, showing Mrs K was required to pay £69.54 a month from April to November 2023. It's also sent us a screenshot showing that Mrs K was up to date with these instalments until June 2023.

However, the direct debit payment due on 28 July was rejected by Mrs K's bank. It was also rejected when Advantage attempted to call for it again on 7 August 2023.

Mrs K says she contacted Advantage on 23 July 2023 and pointed out that she was still overpaying her insurance. She says the complaint handler who had dealt with her complaint in late 2022 / early 2023 told her she would get back to her on 1 August 2023. Mrs K says she told the complaint handler she would be holding payments like she'd done before to ensure she did not overpay.

I can see that Advantage wrote to Mrs K on 31 July 2023, to inform her that her last direct debit hadn't gone through. It said it would make further attempts to take the payment but if it still hadn't been able to take it by 16 August 2023, it would cancel her policy.

On 8 August 2023, Advantage sent Mrs K another letter and email saying it had still not received the payment. It said: **"Please don't ignore this letter or your policy may be cancelled."** It said it would try to take the payment from the card it had on file for Mrs K on 13 August. If it still hadn't been able to take payment by 16 August 2023, her policy would be cancelled. Mrs K was also given a phone number to call if she was worried about paying.

Mrs K has provided copies of emails she sent in response to Advantage's notifications on 8, 9 and 13 August 2023. She said she'd frozen that month's payment until the issue was resolved as she didn't want to keep overpaying. She said that despite proving the named driver had a non-fault accident it was still showing as a fault accident on her policy.

On 17 August 2023, Advantage informed Mrs K that it had cancelled her policy.

Mrs K feels it's unfair that Advantage cancelled her policy when it hadn't addressed her concern that she was overpaying her motor insurance. She says she wasn't able to call Advantage to discuss the matter because she was abroad. But she appears to have made a conscious decision to withhold her payment. And I haven't seen any evidence to show that Advantage agreed Mrs K could stop paying her instalments while it was looking into her concerns.

Mrs K has commented that the credit due from Advantage amending the policy would have covered the missed payment. However, the policy hadn't been amended when Advantage cancelled her policy. The policy's terms and conditions required Mrs K to make payments in line with her instalments. So, she needed to keep paying the instalment amounts to avoid the policy being cancelled.

Mrs K has confirmed receipt of two notifications from Advantage which clearly explained what would happen if she didn't pay the payment that was due. It also gave her more than seven days' notice of its intention to cancel the policy if it didn't receive the payment in time. So, I'm satisfied that Advantage's decision was fair and in line with the policy's terms and conditions.

Mrs K says she was unaware that the policy had been cancelled when the named driver was caught driving without insurance. She says she was led to believe that while she referred her complaint to the Financial Ombudsman service, the policy would stay live as a decision had not yet been made.

However, I can see that Advantage notified Mrs K that it had cancelled her insurance on 17 August 2023. And Mrs K responded to this on 18 August 2023, saying she thought it was unfair that her policy had been cancelled.

Moreover, when Mrs K referred her complaint to our service in early September 2023, she provided a copy of Advantage's response to her complaint dated 31 August 2023. This letter confirms that the policy had been cancelled and said Advantage was unable to reinstate it. On the complaint form she submitted to us Mrs K says she'd had to pay for public transport, taxis and temporary insurance. So, I'm satisfied that Mrs K was aware that her policy had been cancelled when the named driver was caught driving without insurance on 4 October 2023.

Mrs K has provided a copy of an email she sent to Advantage on 24 January 2023, with a screenshot of an email from another insurance company with the same date. The email from the other insurance company says the incident the named driver was involved with in May 2020 had been closed as non-fault.

Advantage doesn't appear to have amended Mrs K's policy to reflect this information at the time. However, it says that Mrs K is due a refund of £109.67 because of this. I think it would be fair for Advantage to pay Mrs K this amount plus 8% simple interest per year calculated from 24 January 2023 until the date the refund is paid.

Advantage has acknowledged that its communication with Mrs K has been poor, and it should have responded to her emails. Advantage should also have amended Mrs K's premium when she first notified it that the incident the named driver was involved in had been closed as non-fault. Advantage has accepted our investigator's recommendation to pay Mrs K a total of £200 for distress and inconvenience. And I think this is reasonable. As its already paid Mrs K £50, it should pay her a further £150.

I know my answer will be disappointing for Mrs K who I understand has been dealing with some extremely difficult circumstances including a bereavement. However, I'm satisfied that Advantage acted in line with the policy's terms and conditions when it cancelled her policy. It also made her aware of the cancellation, so I can't say its responsible for the named driver being caught driving without insurance.

### **Putting things right**

Advantage should:

- Refund the £109.67 due as a result of the policy amendment and
- Add interest to the above at 8% simple per year\* from 24 January 2023 until the date the refund is paid.
- Pay Mrs K £150 for distress and inconvenience.

\*If Advantage considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs K how much it's taken off. It should also give Mrs K a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

### **My final decision**

For the reasons I've explained, I uphold Mrs K's complaint and direct Advantage Insurance Company Limited to put things right by doing as I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 16 January 2024.

Anne Muscroft  
**Ombudsman**