

## **The complaint**

Mr H complains that U K Insurance Limited (UKI) has declined to cover storage and recovery costs following his claim for the theft of his vehicle, under his motor insurance policy.

## **What happened**

Mr H says he put his car up for sale in October 2022. A potential buyer offered him another car plus £400 for his vehicle, which he agreed to. Mr H gave the buyer his car keys and he drove it away. He then amended his insurance in order to cover his new car. However, Mr H says the bank transfer for £400 didn't materialise and he later found out from the police that the car he'd been given was stolen.

Mr H contacted UKI, but it declined his claim. He was told there was no cover where the loss is the result of deception by someone pretending to buy his car.

Mr H's car was later found by the police. He had to pay storage and recovery fees to have it returned to him which he thinks UKI should cover. He says he cancelled his policy after the car was recovered but doesn't think he should be charged a cancellation fee. Mr H also says he was quoted higher insurance premiums when seeking alternative cover. He thinks this is related to the claim. He doesn't think this is fair as his claim was declined.

In its response to Mr H's complaint UKI maintained it had acted according to its policy terms, and so hadn't done anything wrong. It says a total of £228.48 was outstanding on Mr H's policy that required payment.

Mr H didn't think this was fair and referred his complaint to our service.

Our investigator upheld Mr H's complaint in part. He didn't think UKI acted unfairly in declining Mr H's claim or when recording the claim on the Claims and Underwriting Exchange (CUE) database. But he says UKI had claimed the full annual premium from Mr H although it hadn't paid any costs when declining his claim. He thought the business should refund the part of the premium from the point of cancellation onwards. But as the claim had been correctly declined, he didn't ask UKI to refund the recovery and storage charges.

UKI recalculated what was owed on Mr H's policy. Prior to this point no cancellation fee had been raised as the full annual premium had been charged. When actioning our investigator's recommendation, it says this generated a cancellation fee. The post cancellation premiums were deducted, and this left a balance of £63.70 for Mr H to pay. £48.16 was for a cancellation fee and £15.54 for time on cover.

Our investigator communicated this to Mr H, but he didn't agree to pay the cancellation fee. He says he will take UKI to court before he'd pay this. Because he didn't think he'd been treated fairly Mr H asked for his complaint to be considered by an ombudsman.

It's 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'm upholding Mr H's complaint in part. I'm sorry his car was stolen. I understand this must have a very distressing time for him. But I haven't seen reason to add to the award our investigator suggested. I'll explain why I think my decision is fair.

Mr H's policy terms say:

*"We won't cover loss or damage to your car if someone takes it by fraud or deception while pretending to be a buyer."*

I think this term is clear. Mr H's testimony confirms his car was taken by deception. He handed the car keys to the potential buyer and allowed him to drive away his car. When he did this, he didn't have confirmation that the buyer's payment had been received into his bank account. Similarly, he hadn't seen the V5 document of the stolen car he received. I can't see that he took any other steps to make sure the person he was dealing with was a genuine buyer. In these circumstances I don't think UKI acted unreasonably when relying on its policy terms to decline his claim.

As Mr H made a claim, it's not unreasonable that UKI recorded it on the CUE database. This provides an accurate account of Mr H's claim history despite his claim being declined.

I've thought about Mr H's view that the recovery and storage fees should be paid by UKI. As well as his view that it's cancellation fee for £48.16 is unfair.

I'm sorry Mr H has had to pay additional fees for the storage and recovery of his stolen car. But as his claim has been correctly declined – it follows that UKI isn't responsible for any losses Mr H has occurred as a result of the theft of his car.

I agree with our investigator that it's reasonable for UKI not to charge its full annual premium in these circumstances. The policy does allow for retention of the full annual premium in the event of a claim. If this is paid in instalments it says the full amount owing must be paid. But UKI declined cover here, so it hasn't actually paid any costs. In these circumstances I think it's reasonable for UKI to deduct the premium charges owed post cancellation of its policy.

UKI has shown that when calculating what was owed on Mr H's policy in this way, this left an outstanding balance of £63.70. As discussed, this includes a £48.16 cancellation fee. I've thought about whether it's fair for UKI to charge this fee.

We asked UKI to demonstrate that it had made Mr H aware that a cancellation fee would apply when he agreed to its policy. In response it says this information is contained in the policy booklet that it provides to all customers when the policy is inceptioned. I acknowledge what it says but this doesn't show UKI made Mr H aware a cancellation fee could apply, prior to agreeing his policy.

I've thought about whether Mr H would've acted differently if he'd been aware of the cancellation fee. I don't think he would. Most insurers charge a fee to cover administration costs when a policy is cancelled. Mr H needed insurance when he took out his policy, so I don't think knowledge of the cancellation fee will have altered his decision to buy insurance.

We don't think £48.16 is an unreasonable amount to cover the administration costs involved when cancelling a policy. So, in these circumstances I don't think it was unfair for UKI to

charge this fee in line with its policy terms.

Having considered all of this, I don't think UKI treated Mr H unfairly when relying on its policy terms to decline his claim and charge a cancellation fee. But I don't think it treated him fairly when retaining his full annual premium. I think it's reasonable that UKI should recalculate the final balance, as communicated previously, to remove the premiums owed post cancellation.

### **My final decision**

My final decision is that I uphold this complaint in part. U K Insurance Limited should:

- deduct the premium charges owed post cancellation from Mr H's policy from his final account balance.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 8 August 2023.

Mike Waldron  
**Ombudsman**