

## **The complaint**

Mr A has complained that BISL Limited unfairly cancelled his motor policy returning the premium, less any time on cover plus paying him £250 compensation.

## **What happened**

Mr A bought his motor policy online on 1 May 2023 with cover starting on 30 May 2023 for a year. His premium was quoted as being £771.02.

BISL became aware that Mr A's policy was part of a number of policies affected by an internal pricing scheme error, which meant the premium quoted was incorrect. In most instances the premium quoted was too low for the varying underwriters or indeed the risk presented wasn't acceptable to those underwriters. This was specific to the schemes BISL had with several underwriters given BISL is an intermediary.

Therefore, BISL not only cancelled Mr A's policy but several other newly purchased policies at this time, since they were all affected by this error. In consultation with this service BISL was advised to also offer compensation of £250 to all such affected policyholders.

So, BISL notified Mr A on 25 May that his policy would be cancelled on 10 June. It returned his premium instalment which he had paid, less any time on cover, which meant Mr A received a refund of £64.27 plus the £250 compensation.

Mr A was upset at the trouble and upset that having to buy a new policy caused him. Plus, he implied that his new policy cost more and was indeed with the same underwriter so he couldn't understand why his policy was cancelled. And he didn't consider BISL was entitled to cancel his policy anyway. He felt he should receive a further £500 compensation.

So, he brought his complaint to us. The investigator didn't think BISL needed to do anything more. Mr A disagreed so his 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'm not upholding this complaint. I'll now explain why. It's clear from BISL's evidence, that there was an error in the premium pricing system. Therefore, the premium quoted for several policies not just Mr A's, was incorrect. In that situation, the law, industry practice and indeed the policy terms and conditions permit the cancellation of the policy, with the return of any premium less any time on cover.

In Mr A's policy, like virtually every other motor policy, there are terms which permit an insurer to cancel the policy. Normally that's to do with something the customer might have done wrong, but every policy will have a more generic term which cover grounds like what

happened here. Mr A's policy specifically provides the following: *"We may cancel your policy if there are serious grounds to do so"*.

BISL is an intermediary for several motor insurance underwriters and several different brand names. Each underwriter will have detailed conditions by which BISL can place a policy. If errors were found in the pricing system, it's perfectly reasonable to cancel the policy simply because the premium being paid for the consumer is wrong. In this case it was wrong to the business' disadvantage, but it could have easily been wrong to the consumer's disadvantage too. Regardless of which party to the insurance contract it was a disadvantage, I consider it's only right it should be identified.

Here, the only reasonable way to deal with the issue was to cancel all affected policies to include Mr A's policy. In these circumstances, I consider there was nothing wrong with BISL cancelling Mr A's policy refunding any premium paid, less any time on cover. Further the cancellation isn't recorded anywhere, which means it doesn't affect Mr A and he doesn't need to disclose it to further insurers. I consider this is also reasonable.

Obviously, unexpectedly having your motor policy cancelled causes a level of inconvenience in having to get a new one. Consequently, the payment of compensation is warranted. I consider the sum of £250 compensation to be relatively large for such inconvenience given setting up a new policy isn't that difficult to do. Many people do it annually, like Mr A has indicated he does.

Therefore, I consider the compensation also compensates for the possibility of having to pay a little more for the new policy given premium levels on offer change all the time. Mr A implied his new policy cost more, but I've not seen evidence this was actually the case. Regardless of that, I do consider the compensation paid goes a long way to help in that situation.

### **My final decision**

So, for these reasons, it's my final decision that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 23 November 2023.

Rona Doyle  
**Ombudsman**