

## **The complaint**

Mr A complains that Skyfire Insurance Company Limited mishandled his motor insurance policy.

## **What happened**

In mid-October 2020, Mr A had been involved in an incident (according to the Claims Underwriting Exchange database).

For the year from 22 June 2022, Mr A took out a comprehensive policy for a car. The policy was issued by an insurance intermediary. Mr A paid a deposit and agreed to pay the balance of the yearly cost (including interest) by instalments.

Skyfire was the insurer that was ultimately responsible for setting the charge for time on cover, dealing with any claim and dealing with any cancellation of the policy.

By about 24 June 2022, a third party reported that Mr A's car had hit their vehicle.

In late August 2022, the intermediary asked Mr A to provide documents including the V5 registration document for the car.

Mr A sent the intermediary certain documents including a green slip from the V5. By a letter dated 24 August 2022, the intermediary said he needed to send the whole of the V5, otherwise it might amend or cancel the policy.

On 7 November 2022, the intermediary sent Mr A two emails.

In the first email, the intermediary said that there were discrepancies in the information Mr A had provided. It said Mr A had told it he had purchased the vehicle in April 2021, but he had actually purchased it in April 2022. Also, the intermediary said that Mr A hadn't disclosed the incident from October 2020. It said that if Mr A wanted to continue the policy, he would have to pay an additional premium of about £1,000.00. Alternatively, it would cancel the policy with effect from 14 November 2022.

In the second email, the intermediary gave Mr A seven days' notice of cancellation of the policy with effect from 14 November 2022. It said the balance outstanding was about £1,950.00.

Mr A complained to the intermediary that it was treating him unfairly.

The intermediary said that it hadn't responded to the complaint within eight weeks, so Mr A could bring the complaint to us.

Mr A brought his complaint to us in late January 2023. He asked that we should cancel the request for payment of the balance.

Our investigator treated that as a complaint against Skyfire. Our investigator didn't recommend that the complaint should be upheld. She thought that:

- The cancellation was a fair outcome.
- There was an undisclosed incident which would've increased the premium. Skyfire chose to continue to cover Mr A at an increased premium.
- Because Mr A had an ongoing claim with Skyfire, it wouldn't be offering a refund, and an outstanding £1,947.30 needed to be paid.

Mr A disagreed with the investigator's opinion. He asked for an ombudsman to review the complaint. He says, in summary, that:

- He did disclose the incident.
- There will be a phone call in which the green keeper slip was approved.
- His policy was validated and allowed to carry on for an additional 3 months.
- His policy was unfairly discontinued.

### **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.

I've seen a "*Statement of Fact*" document that includes the following question and answer:

*"5. Accidents - Has any driver had any accidents, claims, thefts, incidents or losses regardless of fault or blame in the last five years? No"*

So I don't accept that Mr A disclosed the October 2020 claim when he took out the policy in June 2022.

The statement of fact also said that the date of purchase of the car had been "01/04/2021". But I've seen a DVLA vehicle check. It says that the car was made in 2017 but not registered with DVLA until July 2021. I find that unusual. I find it likely that DVLA issued a V5 in July 2021. I've also seen that DVLA issued a V5 in early April 2022.

I've seen a policy schedule dated 22 June 2022. It says that the premium for the year was going to be £3,077.71 plus an arrangement fee of £50.00.

The policy terms included the following:

*"10.7 Cancelling your policy*

*...*

*If any of the following apply, you may not receive any refund and you may still have to pay the balance of the full yearly premium. This applies in all circumstances no matter what payment method you use.*

- *You have made a claim in the policy year or a claim has been made against your policy.*
- *You have been involved in an incident which might give rise to a claim under the policy..."*

That meant that - notwithstanding that Mr A was paying by instalments - he might still have to pay the balance of the full year's premium if there had been a claim against the policy and the policy was cancelled before the end of the policy year.

The policy terms also included the following:

*“10.7b If we cancel your policy*

*The insurer can authorise us at any time to cancel your policy by sending you seven days written notice to the last postal or e-mail address we have for you on our system. Examples of when we can do this include:-*

*...*

- if you fail to respond to reasonable requests for information by your insurer or us or an agent acting on behalf of the insurer”*

That meant that the insurer could authorise the intermediary to cancel the policy on seven days' notice if Mr A failed to respond (positively) to reasonable requests for information.

I accept that the email to Mr A dated 24 August 2022 started by saying the following:

*“So far we have received:*

- Proof of Claims History”*

However, I don't accept that this shows that Mr A had disclosed the October 2020 claim when he took out the policy in June 2022.

I find it unlikely that an insurer would accept a keeper slip from the V5. I don't accept that the intermediary or Skyfire said that in a telephone call.

I find that Mr A failed to respond positively to the intermediary's reasonable request for the V5.

I accept that a few months passed before the notice of cancellation in November 2022. I don't consider that this shows that the intermediary had received the information it needed to validate the policy. In the meantime, Mr A had the benefit of cover at the cost quoted in June 2022. So I don't consider that he suffered any disadvantage from the delay.

The notice of cancellation said that the balance would be as follows:

146 days cover	£3,077.71
interest	£ 296.22
arrangement fee	£ 50.00
sub-total	£3,423.93
deposit paid	£ 284.62
instalments paid	£1,192.61
sub-total	£1,476.63
balance	£1,947.30

146 days is the period from the start of the policy on 22 June 2022 to the cancellation in mid-November 2022. It's about 21 weeks or 40% of the intended policy year. Yet the charge for that period is 100% of the charge for the intended year - £3,077.71.

The explanation for this is that by late June 2022, Mr A had already made a claim on the policy. And by August 2022, Skyfire had paid out on that claim. So - keeping in mind the policy term quoted above - I don't find it fair to direct Skyfire to waive the balance of the premium for the remaining 60% of the policy year.

From its file, I'm satisfied that the intermediary confirmed the cancellation of the policy with effect from mid-November 2022.

In conclusion, I don't find the cancellation unfair. And I don't find the charge for time on cover unfair. The interest and the arrangement fee were charged by the intermediary rather than by Skyfire. And I'm dealing with a complaint against Skyfire. So I will stop short of saying that Mr A should pay the intermediary the balance of £1,947.30.

### **My final decision**

For the reasons I've explained, my final decision is that I don't uphold this complaint. I don't direct Skyfire Insurance Company Limited to do any more in response to this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 14 August 2023.

Christopher Gilbert

**Ombudsman**