

The complaint

Mr M complains about the service he received from U K Insurance Limited, trading as Darwin ("UKI") after his insurance policy renewed.

What happened

Mr M had car insurance with UKI and he paid for the premium with his credit card.

Mr M says the policy lapsed at renewal and at that stage he transferred the car's ownership to his son who obtained his own insurance policy for the car.

Mr M received an email on 19 March 2023 which said UKI had been unable to take payment for the policy, and if he wanted to continue with it he needed to make payment for £267.92 in seven days. Mr M says since he no longer needed the policy he allowed it to lapse knowing the payment would fail since his credit card had been cancelled.

Mr M received another email on 25 March 2023 which he says he ignored. In April Mr M received an email saying he owed £34.51. And another one on 6 April 2023 saying he owed £69.02. So Mr M called UKI.

UKI told Mr M it had issued a refund to Mr M in error and asked him to pay it back. Mr M tried to explain that he no longer had the credit card as it had been cancelled. Mr M contacted the bank who explained that no refund had been processed. But if it had been it would be refunded to the old credit card then it would take up to eight weeks and it would be sent back to the originator.

Mr M received correspondence demanding a refund of £69.02. Mr M says he's willing to pay the original £34.51 he owes but thinks £69.02 is unfair. He says he's been threatened with 'penalty' fees and having the case referred to a debt collection agency. Mr M says he's spent several hours on hold over a number of days calling his bank, the insurer, and his credit card provider.

Mr M wants UKI to put the matter right and compensate him for the hours he's had to spend on trying to sort it out. He says £25/hour for six hours is fair. Because Mr M wasn't happy he complaint.

UKI said it sent Mr M a renewal notification in advance of the renewal date. It said it didn't hear from Mr M to say he no longer owned the vehicle or that he no longer needed insurance. The policy was cancelled on 3 April 2023. Due to an administrative error UKI issued a refund to Mr M so asked for it back. It said Mr M hasn't provided any evidence that the payment couldn't be located in the account where it was issued. UKI said it offered to backdate the original outstanding amount if Mr M could show when he transferred the car to his son. It said it had been fair in the options provided to Mr M to resolve the matter.

Mr M wasn't satisfied with the response he received from UKI so referred his complaint to this service. One of our investigators looked into things for him. She said she could see the matter had caused Mr M a significant amount of inconvenience – most of which has been

caused by UKI's error in issuing the refund. She said UKI should waive the £34.51 that was accidentally refunded to him and pay £100 for the trouble and upset caused. Mr M was satisfied with the outcome.

UKI didn't agree. It said mistakes can occur and aren't intentional. Mr M was refunded in error which then halved the amount he owed. UKI said asking Mr M to check with his bank and ask whether it had received the refund and doing so isn't worth the level of compensation recommended by the investigator. It didn't agree the matter caused Mr M any distress and inconvenience. Because UKI didn't agree the matter 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 am going to uphold Mr M's complaint. And I'm going to do so for largely the same reasons as the investigator.

Mr M didn't notify UKI that he didn't want his policy to renew, and he should have done. Since he didn't the policy was renewed and when UKI didn't receive payment for the policy, it was cancelled.

Mr M was sent letters notifying him the policy would be cancelled in seven days if payment wasn't received. When the policy was cancelled following non-payment UKI wrote to Mr M setting out what he owed. It did this on 3 April 2023 and 6 April 2023.

Mr M then received a letter dated 11 April 2023 demanding payment of £69.02. In that letter the breakdown of the amount owed showed the following;

<i>"Cost of insurance cover:</i>	<i>£8.55</i>
<i>All applicable optional extras:</i>	<i>£0.96</i>
<i>Admin fee for cancellation:</i>	<i>£25.00</i>
<i>Your outstanding balance:</i>	<i>£69.02"</i>

I can't see that Mr M was provided with an explanation as to why the amount had increased from £34.51 to £69.02 until he contacted UKI. And I don't think this is fair. Especially given he was being threatened with the matter being passed to a debt collection agency.

Mr M contacted UKI and offered to pay £34.51 he owed. He told UKI the bank had confirmed it didn't receive a refund because the credit card had been cancelled. The bank told Mr M that any attempt to make a refund would lead to the payment being returned to the originator. I think Mr M's offer to pay the amount he owed under the terms of the policy is fair. And he took steps to ascertain where UKI had mistakenly paid £34.51. I think this is reasonable in the circumstances.

I have seen written evidence from the receiving bank that a transaction from UKI for the amount of £34.51 couldn't be located. And I'm satisfied it has carried out appropriate checks. Taking a pragmatic approach and as a gesture of goodwill, the bank agreed to refund Mr M £34.51 of the 'missing' money. Which Mr M then paid to UKI. Mr M also paid the £34.51 that he owed. So UKI is no longer owed any outstanding monies.

Given what Mr M told UKI I would have expected it to accept Mr M's offer to pay what he owed under the terms of the policy. I would have expected it would write off the remaining £34.51 on the basis the refund was issued by its own error, and not anything Mr M did or

didn't do. The receiving bank confirmed there was no evidence that payment had been received. And if it had it would have been returned to the originator – owing to Mr M's card being cancelled at the time. But UKI didn't do this.

UKI referred the whole debt, including the additional £34.51 Mr M was not liable for under the terms of the policy, to a debt collection agency. It also asked Mr M to contact the receiving bank and the new card provider to locate the funds. Which he did. And I'm satisfied this took a great deal of time and effort on his part. And given the refund wasn't due to Mr M, and he hadn't benefitted from it in any way, I think this would have caused him a level of inconvenience. I also think receiving correspondence from a debt collection agency would have caused Mr M a degree of trouble and upset given the potential consequences to his credit rating.

Taking everything into account it's clear to me an award is due to Mr M for the distress and inconvenience this whole episode caused. I can see Mr M has been frustrated having to speak to various banks and the insurer to try and resolve the matter. And the fact most of this was caused by UKI's error in refunding Mr M's previous credit card, and then its continued insistence that Mr M should try to resolve its error, rather than taking a pragmatic view of the matter. Our investigator recommended UKI pay Mr M £100 for the distress and inconvenience caused. I think this is a fair award to reflect the issues I've highlighted.

Putting things right

UKI should pay Mr M £100 for the distress and inconvenience caused.

My final decision

For the reasons explained above I'm upholding this complaint and direct U K Insurance Limited, trading as Darwin to do what I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 24 November 2023.

Kiran Clair
Ombudsman