

## **The complaint**

Miss S complains about Loyal Insurance Services Ltd trading as insurance2go (“Loyal”) for failing to let her know that her insurance policy had not renewed. She wants Loyal to honour her claim.

## **What happened**

Miss S purchased mobile phone insurance from Loyal in 2018. She paid an annual premium and cover auto-renewed each 21 December.

In late November 2021, Loyal sent Miss S her renewal information.

She emailed Loyal on 6 December 2021, asking to end her insurance in the current year.

Loyal responded on 9 December 2021, setting out the benefits of renewal. In its email it said *“Please let us know how you wish to proceed with your insurance. Please note that your policy has not yet been cancelled until we hear further from you.”*

Miss S replied on 11 December 2021 asking if cover would be valid while she was living overseas for a substantial proportion of the following year. She also indicated that she would also be changing phone to a newer model.

Loyal responded on 15 December 2021 confirming that cover would be valid overseas if her permanent address remained in the UK. It gave her a new premium quote for her new phone. This set out that the premium price was £69.90 and the excess would be £100. It stated that if she wished to go ahead, she should provide details of the new phone’s purchase date and IMEI number.

Miss S responded on 19 December 2021, giving the new phone’s IMEI number and purchase details.

Miss S then believed that the policy renewed on 21 December 2021. She heard no more from Loyal.

In July 2022, Miss S’s phone was stolen, and she submitted a claim to Loyal.

Loyal declined her claim. It stated that her policy had not renewed as payment of the premium had not been made.

Miss S complained. She felt that Loyal had not made any effort to take payment and she had not been alerted to any issue in the renewal. She therefore felt that she had been prevented from getting other insurance in place for her phone.

Loyal responded in mid-July 2022 maintaining its decision to decline the claim and rejecting her complaint.

Miss S contacted us.

One of our investigators has looked into this matter and thought that the complaint should be upheld. They noted that there was no evidence of Loyal making efforts to give notice to Miss S, and that the last of the email exchange was her providing all that she needed to at that time to agree the new policy. The investigator thought that the claim should be accepted (minus the premium for 2021/2022 and the excess) and that Loyal should pay Miss S £50 compensation.

Loyal did not accept that view and asked for an ombudsman decision.

### **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 have read my colleague's through view and their responses to Loyal's comments, and I agree that the complaint ought to be upheld.

It is clear to me that Miss S left the email exchange in December 2021, 2 days before her renewal was due, expecting that the policy would renew. This was based on the quote and exchange she had just received and accepted. She then was not told that there was any issue which would prompt her to look further at her insurance.

Loyal says it attempted to take payment, through a payment processor, and was not successful. It says that it owes no obligation to renew under those circumstances, or to let consumers know that the payment has not gone through.

I disagree, and I think that in the context of the exchange with Miss S, the expectation was that the policy would renew, it was for Loyal to let her know if it was not going to.

I think it was especially important as the payment was being attempted through a payment processor. Consumers often use these services to store their card details and so payments are taken from their accounts showing that they were paid to the processor, rather than to the ultimate recipient. This means that consumers could easily see other payments through the processor coming out of their account and confuse these with payments for other important services.

In this case, the terms of the policy have provision for cancellation (including for non-payment of the premium) and this requires written notice to be given to the consumer before the cancellation can take effect. No such notice was given.

Here, I think that the policy ought to have renewed following the email exchange, and when the payment was not successful, Loyal should have alerted Miss S that payment had not been processed and that it was giving notice to cancel the policy (or to make payment).

Like my colleague, I am confident that if it had done so Miss S would have paid the premium and had effective cover in place when her phone was stolen.

Consequently, I agree that the complaint ought to be upheld and Loyal should reinstate cover for the 2021/2022 insurance period.

It may deduct the premium of £69.90 from the settlement, along with the policy excess.

Loyal has argued that it ought to be allowed to also retain the premium cost for 2022/2023. I agree with my colleague's response that this would be wholly inappropriate as the phone was not with Miss S to be insured by the time of the 2022 renewal.

### **Putting things right**

In order to put matters right, Loyal must now reinstate cover the policy year 2021/2022 and accept Miss S's claim. It may deduct the premium for 2021/22 and the excess from its settlement.

I also agree that Miss S has been caused distress and inconvenience due to Loyal's stance in this matter and I agree that Loyal should pay to her £50 compensation for her distress and inconvenience.

### **My final decision**

For the reasons given above, I uphold Miss S's complaint and direct Loyal Insurance Services Ltd trading as insurance2go to:

- Reinstate Miss S's policy for the period 21 December 2021 – 20 December 2022;
- Accept and process Miss S's claim in line with the remaining policy terms; and
- Pay to Miss S £50 compensation for her distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 7 August 2023.

Laura Garvin-Smith  
**Ombudsman**