

The complaint

Ms M complains that Aviva Insurance Limited cancelled her motor insurance policy because of a missed payment but didn't inform her about this in keeping with her contact preferences. She wants a letter of indemnity from Aviva.

What happened

Aviva was unable to take a monthly premium payment from Ms M's account. Aviva wrote to Ms M by post, and it texted her telling her about the missed payment and warning her that the policy would cancel if it wasn't rectified. Ms M said she didn't receive this letter or text. Aviva then cancelled the policy and wrote to Ms M to tell her this. Ms M was stopped by the police for driving whilst uninsured. She now faces court action.

Our Investigator didn't recommend that the complaint should be upheld. He thought Aviva was entitled by the policy's terms and conditions to cancel a policy for a missed payment. He thought Ms M would have been aware from her mobile banking app that the payment had failed twice. And he thought Aviva had made reasonable attempts to make Ms M aware of the payment issue and that her policy had been cancelled.

Ms M replied that she was a paperless customer and Aviva should have contacted her by email or through her online account, not by post. She said her bank had incorrectly told her that Aviva had taken the payment back. Ms M said her phone number hadn't changed and she didn't receive Aviva's text because her phone didn't accept texts from unknown companies. Ms M asked for her complaint to be reviewed by an Ombudsman, so it's come to me for a final 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 can understand that Ms M feels frustrated that her policy was cancelled, and that Aviva didn't communicate with her using her stated preference. This service believes that insurers should take reasonable steps to ensure that policy holders are told that their policy has been cancelled as this will have serious consequences for them and expose them to possible court action, as unfortunately happened with Ms M. And we also think it's good practice for an insurer to use at least two contact methods to ensure that consumers receive important messages.

The problem started when Aviva said it was unable to take a monthly premium payment from Ms M's account as this had been rejected by her bank. So Aviva then needed to alert Ms M to this.

Ms M has explained that she thought she had sufficient funds in her account, but she hadn't allowed for pending payments that were hidden from her view online. Ms M provided a letter from her bank which explains that it gave her incorrect information about the missed payment. But I can't reasonably hold Aviva responsible for the bank's error.

Aviva said Ms M had stated her contact preference as online only. But it also said it was unable to send all its documents electronically and relied instead on the postal system. It said this is explained on the contact preference screen on her online account:

“For some “online only” choices, customers may still get some documents in the post as not all documents can go online only yet.”

Aviva said it didn't currently send emails about outstanding balances but communicated this by post and text. Aviva's choice of systems and communication methods it is not something that this service would normally interfere with as it is a legitimate exercise of its commercial judgement. But we look ensure that an insurer is treating its customers fairly.

I can see Aviva twice tried unsuccessfully to take the payment. It then wrote to Ms M and sent her a text warning her of cancellation if the payment wasn't received. Ms M didn't receive the letter, but I can see that it was correctly addressed to the address she gave us. Ms M thought it may have been delayed or lost due to the postal strikes at the time.

Ms M didn't receive the text because of her phone settings, and she said Aviva hadn't told her it would send texts and so she hadn't updated her settings. But I can't reasonably hold Aviva responsible for Ms M's choice of phone settings. So I'm satisfied that Aviva did enough to try and contact Ms M about the payment issue.

As the payment wasn't received, Aviva cancelled the policy after the notice period and sent Ms M a letter and email to confirm this. Ms M said she didn't receive the letter, but I can see that it was correctly sent. And I can see that the letter was also emailed to Ms M as were her other policy documents, though Ms M said she didn't receive this. Ms M said the policy states that the cancellation letter would be sent to the postal and/or email address. And I think Aviva complied with this by sending it to both her addresses.

I can see that in the policy terms and conditions under Cancellation Rights, Aviva states:

“We may cancel this policy or optional covers where there is a valid reason, for example where: • you have not paid your premium (including non-payment of instalments under an Aviva monthly credit facility.”

The payment had clearly been missed. I think Aviva sufficiently warned Ms M of the missed payment and cancellation. Ms M hadn't responded to Aviva's warnings and notice of cancellation. So I'm satisfied that Aviva was entitled to then cancel the policy for non-payment. I don't require Aviva to do anything further.

My final decision

For the reasons given above, my final decision is that I don't uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 13 September 2023.

Phillip Berechree
Ombudsman