

The complaint

Mr B has complained about Skyfire Insurance Company Limited. He isn't happy about the way it cancelled his motor insurance policy.

What happened

I looked at this case and provided my initial thoughts in my provisional decision as follows.

Mr B was stopped by the police for driving without insurance in August 2022. His car was impounded, and he had to attend court in relation to this incurring costs. Skyfire had cancelled his policy after it asked him to provide details to verify his policy and to pay a very small increase in premium. As Mr B wasn't happy about this he complained to Skyfire about this alongside a number of other issues including the fact that Skyfire took payment from his card without authorisation.

Skyfire looked into his complaint and acknowledged that it could have dealt with Mr B's calls about the payment it took from him and a number of other issues on 3 August 2022 better and offered £400 by way of compensation. However, it felt it cancelled Mr B's policy fairly after it had problems validating his policy and then he owed a small additional premium. However, Mr B still remained unhappy, so he complained to this Service.

Our investigator looked into things for him and eventually partly upheld his complaint having initially upheld it in full. She thought Skyfire's offer of compensation was fair for the poor service that was identified and that it should provide a letter of indemnity and remove any record of the cancellation from any internal or external databases because of the errors in its cancellation process.

Skyfire accepted this but as Mr B didn't agree the matter has been passed to me for review.

What I've provisionally 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've formed a different view to our investigator. But I want to give both sides the opportunity to comment before finalising my position.

I also think it's important to explain I've read and taken into account all of the information provided by both parties, in reaching my decision. If I've not reflected something that's been said in this decision it's not because I didn't see it, it's because I didn't deem it relevant to the crux of the complaint. This isn't intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a fair and reasonable outcome is. This also means I don't think it's necessary to get an answer, or provide my own answer, to every question raised unless it's relevant to the crux of the complaint.

This is a difficult case to decide and I note that our investigator has previously fully upheld the complaint and suggested Skyfire should take responsibility for the poor cancellation of

Mr B's policy and pay any costs he incurred because of the cancellation, including his legal fees. But Skyfire didn't accept it should pay Mr B's additional costs. However, what troubles me in this case is that Skyfire accepts its cancellation process wasn't fully adhered to here and it is clear that another step in the process should have been taken before cancellation took place as Skyfire has highlighted – in effect Skyfire acknowledges it should have restarted its cancellation process and not cancelled the policy when it did.

Mr B was asked to provide further documentation for verification purposes. And although he didn't provide the required detail using Skyfire's online portal he did send it in by email which Skyfire eventually realised. I think at this stage it was clear Mr B was trying to cooperate and provide everything that Skyfire needed and it has highlighted it should have reset the cancellation process at this stage. So, I don't agree the cancellation should have proceeded at that stage and Skyfire accepted this position previously. And as our investigator highlighted I would have expected Skyfire to have let Mr B know about the cancellation in at least two formats given the potential dire consequences of this and Skyfire hasn't shown that it did this.

Furthermore, I can't be sure, from the information before me, that the increase in premium that eventually caused cancellation was fair or communicated fairly. Skyfire left a message for Mr B on the day of cancellation (and it now accepts it should have stalled and restarted its cancellation process at that point in time) to ask for a call back. But there was no way Mr B would have known how urgent the call back was given the very soft delivery of the voicemail requesting a call back. Given Skyfire was cancelling the policy, indeed I presume this process was already in action, I would have expected a firmer message and further calls before cancellation.

Plus, I know Skyfire wanted to know why Mr B had changed his mileage usage (which caused the small change in premium that ultimately led to the cancellation of his policy). But I haven't seen sufficient evidence to say this was reasonable. Mr B simply reduced his mileage use and although I can understand why Skyfire had questions about this I can't be sure this was fair. It is quite possible that Mr B was simply using his vehicle less but Skyfire didn't really get to the bottom of this. It simply looked to cancel his policy because it increased his mileage in line with the previous year which caused a small increase in premium.

Given all of this, and the fact Skyfire accepts that the cancellation process was incorrect and should have restarted, alongside the fact that I can't be sure its request for a small increase in premium was fair, I think the fair and reasonable thing to do is to put Mr B back into the position he should have been but for this error.

As such, I think Skyfire should provide a letter of indemnity and remove any cancellation markers as it has already agreed to do. But I think it should also pay any costs Mr B has incurred because of its error including any costs caused by the impound of his car and any legal costs incurred because he had to attend court in relation to driving while uninsured.

Turning to the level of compensation I think Skyfire's offer of £400 feels fair. I know Mr B has faced a great deal of difficulty and it is accepted that he didn't deliberately drive uninsured. However, there were a number of opportunities for him to engage with Skyfire and its communications more fully and mitigate his position. So, I think this level of compensation feels fair.

Replies

Mr B responded and said that there were a couple of key aspects of the case that he felt hadn't been discussed within my provisional decision. He said that Skyfire failed to uphold a

reasonable duty of care by not validating his policy when he took out the policy or at least highlighting that there was a possibility that this would happen. And questioned why it didn't outline its validation requirements in its welcome email as he proceeded on the assumption that he was simply covered for the year at that point in time.

Mr B went on to make the point that Skyfire has a large workforce and that it isn't fair to send emails a considerable time after he took out the policy as these can go into spam folders and not be read due to peoples very busy lives. And if Skyfire is going to cancel a policy so freely, then the process should be clearly outlined in their customer communications, *'not hidden away in some vague T&C policy wording (numbered 11.1 no less!) indicating'* it might contact Mr B at some point. Mr B said that he had to engage in extended phone contact to take out the policy so he feels Skyfire should not be able to cancel his policy without a similar level of effort. And he highlights that Skyfire only really makes it clear that it is an *'internet only'* company at complaints stage as opposed to when he took the policy out.

Finally, Mr B feels that the cancellation of his policy wasn't clear enough and that the cancellation should *'have been detailed in big bright flashing lights...'* as opposed to *'just a discreet comment in the corner'*. And he questioned again the retention of his bank card details on its systems when he asked for them to be removed.

For its part Skyfire asked for an additional period of time to respond but didn't really comment on the decision in any detail when it replied. Although it said again that it shouldn't be held responsible for the additional costs Mr B incurred after the policy was cancelled. It reiterated that Mr B responded after the policy cancellation about a payment and it said again that the policy was cancelled.

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 remain of the view that the complaint should be upheld. I can understand the further points Mr B and Skyfire have raised but it doesn't affect my original thinking on this case. And, in the main, I've already considered the points both sides have made within my provisional decision.

I understand Mr B's frustration about Skyfire validating the policy after it had gone live, but this is common practice in the motor insurance industry and so I can't criticise Skyfire for this. And, as I've already outlined, the cancellation process could and should have been better so I'm not proposing to go over this again now. Ultimately, I've noted Mr B's points and I still remain of the view that his complaint should be upheld for the reasons outlined in my provisional decision, but I don't propose to increase the level of compensation. And in relation to retention of his card details I think Skyfire's offer of compensation for the way it handled things feels fair, so I won't comment further here about this.

I know Skyfire feels that it shouldn't be held responsible for any additional costs Mr B incurred but it accepts that the cancellation process was incorrect and should have been restarted. And when I consider this alongside the fact that I can't be sure its request for a small increase in premium was fair I remain of the view that the fair and reasonable thing to do is to put Mr B back into the position he should have been but for this error. So, I think Skyfire should provide a letter of indemnity and remove any cancellation markers (as it has already agreed to do). And it should pay any costs Mr B has incurred because of its error including any costs caused by the impound of his car and any legal costs incurred because he had to attend court in relation to driving while uninsured.

Plus, I agree it should pay Mr B £400 compensation as it suggested in recognition of the poor service and stress it caused Mr B. I do agree that Mr B missed a number of opportunities to engage with Skyfire about the cancellation which is why I haven't increased the level of compensation. However, but for Skyfire's errors leading up to the cancellation process I'm satisfied that Mr B wouldn't have driven uninsured so it is only fair it should also pay any costs he suffered because of this.

My final decision

It follows, for the reasons given above, that I uphold this complaint.

Skyfire Insurance Company Limited should provide a letter of indemnity and remove any cancellation markers as it has already agreed to do. And pay any costs Mr B incurred because of its error including any impound fee or legal costs incurred attending court (subject to reasonable proof) in relation to the allegation of driving while uninsured. Plus, I agree it should pay Mr B £400 in compensation (total) if it hasn't done this already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 27 September 2023.

Colin Keegan
Ombudsman