

The complaint

Mr Y complains that BISL Limited (BISL) unfairly cancelled his motor insurance policy.

What happened

Mr Y says he took out car insurance through BISL at a cost of £1,120. He says he had other similar quotes but chose this policy as he thought it was with a good company. On 25 May 2023 he received an email telling him his policy was being cancelled due to a system error.

Mr Y says he was given 16 days to find alternative cover. He received a refund of his premium and £250 compensation. He says that when he tried to reinsure his vehicle he was quoted much higher premiums. Mr Y says that this is due to the short period he had to reinsure. He says it's well known that insurance quotes for renewal must be sought four to five weeks in advance.

Mr Y says had he renewed with a different insurer he would have paid a similar amount to that offered by BISL, not the much higher premium he now has to pay.

In its final complaint response BISL says it identified an error with the premium Mr Y was offered on 24 May 2023. It apologised for the inconvenience but says it wasn't able to continue his policy. BISL says a full refund and £250 compensation for the inconvenience represents a fair outcome. It confirms 16 days were allowed for Mr Y to find alternative cover.

Mr Y didn't think he'd been treated fairly and so he referred the matter to our service. Our investigator didn't uphold his complaint. He says BISL is entitled to cancel Mr Y's policy in line with its policy terms. He says BISL allowed more time than was required for Mr Y to seek replacement cover. And he thought the compensation offered was fair for the inconvenience caused.

Mr Y disagreed with this outcome and asked for an ombudsman to consider his complaint.

It 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'm not upholding Mr Y's complaint. I'm sorry to disappoint him but I'll explain why I think my decision is fair.

In its submission to our service BISL says Mr Y purchased his policy online on 25 April 2023, with cover effective from 4 May 2023. It says that it subsequently became aware of a 'pricing scheme error'. This affected a number of newly purchased policies and renewals. It says this meant it offered policies, including Mr Y's policy, that were incorrectly rated resulting in significantly reduced premiums.

BISL says it can withdraw cover at any point provided that it gives prior notification of cancellation in line with its policy terms and conditions. It says Mr Y wasn't entitled to a policy at the significantly lower premium, which was offered in error.

I can see that BISL sent Mr Y a notice of cancellation letter on 25 May 2023. The policy was subsequently cancelled as of 9 June.

Section 11 of Mr Y's policy terms and conditions relate to cancellation. The terms say:

"We may cancel your policy if there are serious grounds to do so such as non-payment, failure to supply requested validation documentation (proof of No Claims Discount, Security etc) you have provided us with incorrect information and you have failed to provide a remedy when requested or you behave in a threatening, abusive or inappropriate manner towards our staff, our representatives or providers. Where we cancel we will provide seven days' prior written notice to your last known address unless we are required to cancel earlier."

I've thought about whether the policy terms allow BISL to cancel Mr Y's policy for the reasons stated. Incorrect pricing isn't specifically included in the examples provided. But I don't reasonably think this list is intended to be exhaustive. The terms say, "such as" before going on to list a number of examples of when BISL can cancel a policy.

It's not in dispute that it was BISL that made an error when it confirmed Mr Y's insurance premium. However, the policy being offered at the wrong price is, I think, a reasonable cause for cancellation. I can't see that Mr Y has been caused detriment as a result of this. He explains that he wasn't able to accept a similarly priced quote at the time he took out his policy with BISL. I haven't seen evidence to show that a similarly priced quote was offered. But this doesn't alter the fact that BISL was able to cancel the policy, in line with its policy terms, as a result of the system error it highlighted.

Mr Y's policy terms provide for seven days' notice in the event of a cancellation. In this case BISL provided 16 days. It refunded Mr Y's premium in full, so he didn't pay for the period of cover provided by BISL. And he wasn't charged a cancellation fee. I think this was fair.

This no doubt came as a shock to Mr Y and meant he had to spend time arranging alternative cover. I think it's reasonable that BISL compensates him for this. But I'm satisfied that the £250 payment it has already offered is fair in these circumstances.

I've thought about Mr Y's comments that his new insurance cost more due to the limited time he had to arrange this. And that it's a well-known fact that insurance quotes for renewal must be sought four to five weeks in advance. Based on the evidence I've seen, Mr Y obtained a quote from BISL nine days prior to the cover going live. He was given 16 days' notice in which to obtain alternative cover. So, I don't think he's shown that he suffered a loss in relation to this point.

As discussed BISL was able to cancel Mr Y's policy, which it did in line with his policy terms and conditions. So, although I'm sorry Mr Y had to find alternative cover, and this was more expensive than the premium BISL offered in error, I don't think it needs to do anything more to resolve his complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or

reject my decision before 27 December 2023.

Mike Waldron
Ombudsman