

The complaint

Mrs S complains AA Underwriting Insurance Company (AAUIC) hasn't provided a full refund of premiums when it cancelled her motor insurance policy.

What happened

The circumstances of this complaint are well known to both parties, so I've summarised events.

- Mrs S took out a motor insurance policy which was due to start on 8 November 2022.
- On 4 November, AAUIC requested further information from her to validate the policy and it asked Mrs S to provide it within seven days – which she did on 9 November 2022.
- The next day, AAUIC asked Mrs S why she had two insurance policies. She explained her other policy was a fleet policy because she provided taxi services, but that she needed the policy with AAUIC for domestic use.
- On 16 November, AAUIC told Mrs S that because of her occupation as a taxi driver it couldn't insure her, and that cover would cease on 23 November 2022. It provided details for an alternative insurer who would be able to provide cover.
- When the policy ended AAUIC provided a pro-rata refund of the premiums for the time on cover.
- Mrs S complained saying she should be entitled to a full refund of premiums – along with other fees.
- AAUIC was satisfied it handled Mrs S' claim fairly and referred her to the terms and conditions about cancelling the policy.
- Unhappy, Mrs S brought a complaint to this service. An Investigator considered it but didn't uphold it. Because Mrs S disagreed, the complaint has been passed to me for an Ombudsman's 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. Having done so, I'm not upholding this complaint and I'll explain why.

- Within this decision I am only considering whether AAUIC acted fairly by providing a pro-rata refund in respect of Mrs S' motor insurance policy.
- The arrangement fee and cancellation fee were charged by an insurance

intermediary and so, don't form part of this complaint. Likewise, AAUIC isn't responsible for the legal expenses and car hire premiums charged by a separate insurer.

- The starting point is the policy document which says AAUIC will refund a percentage of the premium on a pro rata basis equivalent to the period of cover left unused. So, I'm satisfied the policy makes it clear any refund of premiums would be reduced to take account of any days Mrs S had cover.
- The policy confirms this approach applies regardless of whether the policy was cancelled within or outside the 14-day cooling off period from when the contract of insurance started. And so, had Mrs S' policy been cancelled within this period, she would have still been required to pay a premium for the time she had cover.
- Because of this, I'm not persuaded by Mrs S' argument that had AAUIC dealt with concerns about her policy more quickly, she would have received a full refund of the premiums.
- But I've considered whether AAUIC could have reasonably dealt with the matter in a timelier manner therefore, reducing the time on cover and the amount of premium Mrs S had to pay. And I've thought about whether it caused Mrs S avoidable distress and inconvenience.
- It's standard practice for insurers to request further information to validate cover. And so, it's reasonable that upon learning Mrs S had two policies, AAUIC made further enquiries – at which point it discovered her occupation was a taxi driver.
- I note AAUIC initially asked for information on 4 November and Mrs S provided this five days later, by which point the policy had started. And so, whilst AAUIC did have to make further enquiries, I don't think it's reasonable to attribute all the time it took to reach an outcome on Mrs S' policy to its handling of it.
- I don't agree with Mrs S' suggestion that upon realising she had two policies, AAUIC should have cancelled her policy with immediate effect as doing so would have left her in a predicament of being uninsured. Until it received all the relevant information AAUIC couldn't make an informed decision as to whether it could provide cover.
- Rather, I consider it reasonable that AAUIC gave Mrs S seven days' notice that it would be cancelling her insurance policy which gave her time to source alternative cover – which I note it also helped her find. And I think it's reasonable that if Mrs S didn't want cover to continue until this point, she could have contacted AAUIC to say so.
- Ultimately, AAUIC needed to refer the matter to its underwriter and whilst this may have extended things, I'm not satisfied AAUIC's decision to do so was unreasonable. Furthermore, from the correspondence I've seen, AAUIC did so in a timely manner.
- As I'm not persuaded AAUIC caused avoidable delays, I'm not satisfied it's reasonable to ask it to provide a full refund of the premiums. Rather, I'm satisfied it acted in line with the policy terms and conditions by providing a pro-rata refund based on the time cover was in place.
- Whilst I appreciate this situation was frustrating for Mrs S, I've not been provided with evidence which persuades me AAUIC should be held responsible for this, and so, I'm not recommending compensation be paid to Mrs S.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 15 August 2023.

Nicola Beakhust
Ombudsman