

The complaint

Miss H has complained that HDI Global Specialty SE unfairly cancelled her pet insurance policy.

What happened

Miss H took out a policy with HDI for her dog and set up a monthly direct debit to pay the premium in instalments which were due on the 23rd of each month.

When HDI attempted to take the payment on 21 March 2023, the payment was rejected. It reapplied for the payment on 24 March and the payment was rejected again by Miss H's bank.

HDI said it emailed Miss H on 31 March, giving her seven days' notice to pay the outstanding payment. As HDI didn't receive a response, it emailed her again on 11 April to tell her that the policy had been cancelled. On 17 April HDI sent a text message to Miss H about the outstanding premium payable for the policy. Following that message Miss H found the emails from HDI in her spam folder. It's not in dispute that the emails hadn't been opened until 17 April.

Miss H tried to persuade HDI to reinstate the policy after paying the premium instalment that had been outstanding. It refused to do so. This caused Miss H a degree of concern as she wanted to make claims under the policy and her dog had pre-existing conditions for which it would be hard to get cover with another insurer.

She brought a complaint to this service. I issued a provisional decision explaining why I wasn't minded to uphold her complaint. An extract from my provisional findings is set out below:

"There's no dispute that Miss H defaulted on her payment as her direct debit was returned. As with all insurance policies, Miss H needed to pay her premiums in order to have cover. The terms of the policy state that HDI can "cancel the policy if there are serious grounds to do so, for example:

- 1. Where **we** have been unable to collect a premium payment (payment terms including the procedures in the event of non-payment of the premium will have been agreed between **you** and **us** when **you** took out this policy)."*

*...
"We will do this by giving notice in writing to **your** last address notified to **us**."*

I think this is reasonable – insurers can't be expected to provide cover if a policyholder doesn't pay for it.

The Terms of Business set out the procedure in the event of a direct debit being rejected. It says:

"In the event of a payment default, you have 7 days from the date of the default to contact us and arrange payment. If payment is not received your policy will be cancelled from the default date."

The terms don't say that HDI will send a cancellation notice by multiple means or by text.

I think it's good practice for the business to use the means of communication that reflects the policyholder's communication preference to warn them about the cancellation and to tell them that the policy has been cancelled. In this case that's what HDI did as it had previously communicated with Miss H by email. The email address it used was the one provided by Miss H. In addition HDI didn't receive any bounce back of the emails to indicate that they hadn't been received.

I think it would have been better if HDI had also tried to contact Miss H by text message or called her but I wouldn't necessarily expect this unless the business was aware of a potential problem with the communication means it had used in the past.

Generally speaking, if a business has sent notice of cancellation using the appropriate means of communication and has followed its own procedures as previously notified to the customer, I'm likely to say it did what it was required to do. That's what happened in this case. I'm satisfied that by sending the emails to Miss H, HDI did enough to contact her about the rejected direct debit and the seven-day notice of cancellation as well as the email confirming cancellation. So I don't feel it would be fair and reasonable to require HDI to reinstate the policy and/or pay compensation.

I also think Miss H would have received notification from her bank of the failed payments in March 2023 and so ought to have known that her policy was likely to be cancelled."

In summary in response Miss H made the following points:

- In a situation as serious as cancelling an insurance policy she thought it would be best practice to use another method of communication in addition to email.
- She has never missed a payment previously on any of her policies with the same insurer and wasn't notified by her bank of the failed payment.
- Since the cancellation her dog has developed further health issues which would be excluded as a pre-existing condition under a policy with a different insurer.

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 agree it would have been preferable if HDI had tried to contact Miss H by another method but there is no requirement on it to do so and I don't consider the fact that it didn't should mean the policy should be reinstated.

I've no reason to doubt that Miss H had never been in default before. But that doesn't mean HDI acted unfairly in exercising its rights under the contract she had with it once a payment was missed.

I also can't hold HDI responsible for any failure on the part of Miss H's bank to let her know that the payment hadn't been made. It was Miss H's responsibility to ensure that there were sufficient funds in her account to pay the premium.

I'm sorry to hear that Miss H's dog has developed further health problems.

Based on what I've seen, I can't say HDI has treated Miss H unfairly. It acted within the terms and conditions of the pet insurance policy. I realise Miss H will be very disappointed with this outcome. But I won't be upholding her complaint.

My final decision

For the reasons set out above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 10 October 2023.

Elizabeth Grant
Ombudsman