

## **The complaint**

Mr D complained his motor insurance policy was unfairly cancelled by Liverpool Victoria Insurance Company Limited ("LV").

## **What happened**

As the renewal of Mr D's policy was approaching, Mr D received a communication from LV informing him that his policy would automatically be renewed and a payment would be taken to cover the premium using his credit card which was registered to the account. LV informed Mr D what date this would happen.

After the policy was meant to have been renewed Mr D called LV to report a non-fault accident. At that time, he was made aware by LV that his policy had been cancelled. When LV went to take the payment from Mr D's credit card, the payment was unsuccessful. LV wrote to Mr D via e-mail to inform him his payment wasn't successful and provided him with a notice of cancellation. LV asked Mr D to contact it. When LV received no response, it sent Mr D a second e-mail notifying him that his policy had been cancelled.

Mr D was unhappy as he said he didn't receive the emails which were sent to his work e-mail address. He thought LV should've also sent a postal letter informing him of what had happened. He thinks LV should apologise, pay for the repairs to his car and change their communication approach for all customers.

Our investigator decided to uphold the complaint. He didn't think LV had done enough to contact Mr D, so he thought LV should reinstate Mr D's policy and cover the claim. He said LV should remove any cancellation markers from Mr D's insurance record, compensate him if he's taken out another policy and pay him £200 compensation for distress and inconvenience. LV disagreed, so the complaint has been referred to an ombudsman.

## **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 have reviewed the terms and conditions of the policy to see what it says about policy cancellation. It states in clause 10 of the general conditions:

*"We'll cancel your insurance by giving you 7 days' notice if you don't pay the premium or monthly payment when we've asked for the money by a certain date".*

*The clause continues "We'll send you a letter or email letting you know the cancellation date and the reason why we're cancelling your insurance. If you've just taken out the policy or renewed and haven't paid any premiums, we'll cancel your insurance back to the start/renewal date".*

LV sent Mr D a cancellation notice by email, informing him his payment hadn't been successful. As LV didn't have a response from Mr D, it issued a letter by email to cancel the

policy seven days later. Mr D said he didn't see these emails. He said if he had seen them he would've acted. LV has provided evidence that it did send the emails and has said there is evidence the first email was opened. LV has also told us that Mr D's preferred method of communication was to his work's email address, which is what it used to send Mr D the emails.

So, LV has shown it has met the terms of its policy. However, I have looked at whether I think LV's approach to cancel the policy after two emails is a fair one. Our research into the practises adopted by major insurers in similar circumstances to Mr D's, shows that all would have given their customers the opportunity to correct a failed first payment of an insurance contract. And that research showed most major insurers are using two methods of communications and giving consumers time to rectify their failed payments before cancelling their policies.

I think LV should've tried to contact Mr D again before issuing its notice of cancellation. And I think LV should've followed good industry practice by using another means of communication to inform Mr D of its intent to cancel and its cancellation of the policy. I think this is especially important where the consumer has a specific communication preference such as text or email. So, as well as sending seven days' notice by email, I think it'd would've been better to send another communication by post, text, or phone as well.

This is because cancelling a policy can have a significant impact on Mr D. Mr D will have to tell future insurers he's had a policy cancelled and some insurers will record and share information about policies they've decided to cancel.

Policy cancellations are often considered when offering insurance and calculating premiums and it's likely the cost of future policies will be higher if an insurer or broker has cancelled a policy. There isn't a time limit on how long Mr D might have to declare a cancelled policy and insurers will often ask if Mr D has ever had a policy cancelled.

Not having a valid motor insurance policy is also illegal and the penalties for this are severe. This can cause problems for consumers who either don't buy a new policy or didn't know their policy has been cancelled.

I've considered if it would've made a difference if Mr D was better informed by using a second form of communication. Mr D has explained how he didn't see the emails that were sent. I believe Mr D when he said he didn't see these emails. LV has provided evidence that one of these emails was opened and one wasn't. I can appreciate how these emails could've got missed or mislaid by Mr D if he was distracted by other emails he'd received relevant to his work.

It's not clear why the payment wasn't successful when LV went to process Mr D's payment. However, Mr D has said he had funds ready to pay for his insurance cover. I think if LV had made more of an effort to contact Mr D to tell him his payment had been unsuccessful; I think Mr D would've arranged an alternate method of payment to ensure he maintained his cover. Therefore, as I don't think LV has taken reasonable steps to inform Mr D of this situation, I don't think it has treated Mr D fairly. Therefore, I uphold this complaint.

I've considered what LV needs to do to put this right and put Mr D back in the position he would've been in had the cancellation not happened. LV should re-instate the policy and consider the claim that Mr D initially reported in line with the remaining terms and conditions of the policy. Mr D would need to pay the appropriate premiums for the cover he retrospectively takes out. LV should also ensure any cancellation markers it has applied are removed from Mr D's record, so there is no record of this when Mr D comes to take out future policies.

It's possible Mr D may have taken out an alternative policy with another insurer. LV should review the costs that have been incurred and what actions are required to re-instate his policy with LV. If Mr D has suffered any losses for this period (e.g. dual running of policies, cancellation fees, higher premiums) LV should reimburse this provided Mr D is able to provide valid receipts and evidence of such losses. LV should also add 8% simple interest per annum to these losses as Mr D has been without this money (from the date of the loss to the date it's settled).

Finally, I think Mr D will have suffered distress from his car claim not being covered and the inconvenience with trying to sort this out. He may also have needed to secure alternative insurance. Therefore, I award £200 compensation for the distress and inconvenience he has suffered.

### **My final decision**

My final decision is I uphold this complaint, I require Liverpool Victoria Insurance Company Limited to do

- Re-instate Mr D's policy and consider the claim that Mr D initially reported in line with the remaining terms and conditions of the policy
- Remove any cancellation markers that have been added to Mr D's record
- Reimburse any losses (e.g. dual running of policies, cancellation fees, higher premiums) based on evidence provided by Mr D, plus 8% simple interest from the date of the loss to the date of the settlement
- £200 compensation – for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 4 May 2022.

Pete Averill  
**Ombudsman**