

## **The complaint**

Mr F's complaint is that Premium Credit Limited didn't tell him about a missed payment, which resulted in his GAP insurance policy being cancelled.

## **What happened**

In March 2021 Mr F decided to buy GAP insurance for a car he was purchasing. He said this was set up for him by the car dealer because COVID restrictions prevented him going to their showroom at the time.

Mr F told us he wasn't aware of any problem until his car was stolen. He said when the insurer offered less than he'd paid for it, he discovered the GAP insurance had been cancelled due to a missed payment.

In January 2023 Mr F complained to Premium Credit that they'd never told him a payment had been missed. Premium Credit didn't uphold his complaint. They said they'd written to Mr F telling him they'd been unable to collect a repayment and what action he needed to take to prevent the agreement being cancelled, but they didn't receive payment.

Unhappy with this response, Mr F referred his complaint to our service. He said Premium Credit had sent him everything through their online portal, which he hadn't known about. He thought the car dealer may have set this up on his behalf. He said he would've paid the outstanding balance if Premium Credit had let him know about it by phone, text, email, or by sending a letter to his home address.

After looking into what happened, our investigator said he didn't think Premium Credit had acted unfairly. He was satisfied they'd emailed and written to Mr F advising him the November 2021 instalment hadn't been paid. He was also satisfied Premium Credit had advised Mr F that if this wasn't paid by 13 December 2021 the credit agreement would be terminated – and possibly also the GAP insurance.

Mr F disagreed. He said he'd never received any correspondence from Premium Credit – not even a welcome letter or policy document. Mr F said he couldn't be expected to know about emails Premium Credit had sent through their online portal, which he'd never accessed. He said Premium Credit had confirmed it was only accessed once.

Our investigator said he couldn't see how anybody else could've signed the agreement and created the online account, because the link needed to access that information had been sent to Mr F's email address. And he thought Mr F ought to have been aware that a payment had been rejected from his own banking records.

Mr F asked for his case to be reviewed again, so it's come to me for a final 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.

Premium Credit provided Mr F with a running account credit agreement, which allowed him to repay the cost of the GAP insurance in monthly instalments. That credit agreement is regulated by the Consumer Credit Act 1974, which means I can consider Mr F's complaint about it.

I appreciate Mr F's frustration that Premium Credit haven't been able to provide all the evidence he's requested to prove exactly what happened when the account was first set up, and when a payment was missed. Where evidence is incomplete or contradictory, as some of it is in this case, I have to decide what I think is most likely to have happened.

I've seen a copy of Premium Credit's welcome letter to Mr T dated 22 March 2021, and a screenshot of their system notes confirming it was sent by email. The welcome letter explained that Premium Credit provided the finance for Mr F's insurance policy, and that they'd set up a credit agreement which he must sign.

A coloured box in the middle of the front page contained a link, with instructions for how to sign the agreement electronically. The letter went on to say monthly repayments of just over £54 would be collected by direct debit on the nineteenth day of each month, or the next working day after that date.

Mr F told us he never received the welcome letter. But I'm satisfied Premium Credit emailed it to him, and the evidence I've seen confirms the email address they held is the same as the one we use to correspond with him. So, I find it most likely that it was delivered to his email account.

Premium Credit's system notes show the credit agreement was electronically signed the following day. I've seen a copy of the agreement. The signature box has been electronically signed in Mr F's name and dated 23 March 2021. Thinking about the sequence of events here, although I appreciate Mr F may not remember signing, I find it most likely that he did.

Although the agreement document contained a lot of information, I find it clearly highlighted the potential consequences of missing payments. On the front page, the heading "missing payments" appeared in bold capital letters. Underneath that heading it said:

*"Failing to make a payment when it is due, or if your Direct Debit Instruction is cancelled, will put you in breach of the terms of this agreement. As well as incurring the fees and charges referred to in Part B of this Agreement it can have a number of consequences, which can be severe:*

- *It may result in termination of the credit agreement. This in turn could result in any service financed by the credit agreement being cancelled (so for example you could lose cover from any insurance policy financed)."*

After reviewing all of this information, I'm satisfied Mr F was provided with clear explanations about the repayments he'd need to make, when they'd be due, and the potential consequences of missing them. As everything appears to have gone smoothly for the first seven months, I'd expect Mr F to have seen monthly direct debit payments to Premium Credit on his banking records. And I think he knew, or ought to have known, that he'd need to carry on making those payments.

I've seen a copy of a letter from Premium Credit dated 22 November 2021, addressed to Mr F using the address we hold for him. It's headed "*Important information about your repayment for your insurance policy*", in bold print. The letter said that month's repayment couldn't be collected because Mr F's bank had refused payment.

A default notice was attached, explaining what might happen if Mr F didn't pay the missed instalment by 13 December 2021. It said Premium Credit would ask his insurer to pay the outstanding balance – and that his insurer might cancel the service being financed by the credit agreement.

Premium Credit's system notes show they sent the letter by post on 23 November 2021. Although Mr F doesn't remember receiving it, on balance, I find it most likely that it was posted to him. So, I'm not persuaded Premium Credit failed to tell him about the missed payment.

I've seen a copy of another letter from Premium Credit to Mr F dated 3 December 2021. It said they'd tried again to collect the missed payment, but his bank account had insufficient funds. Premium Credit's system notes show this letter was uploaded to their online portal. They've told us Mr F would've received an email notifying him a new letter was available.

Premium Credit have provided a screenshot confirming the online portal account hasn't been accessed since it was created on 23 March 2021. Mr F said he's never activated or used it. I've given this careful thought.

For the reasons I've already explained, I find it most likely that Mr F did sign the credit agreement. As the online account was created on the same day the credit agreement was signed, although he may not remember doing so, I consider it most likely that Mr F created the online account at the same time.

I appreciate Mr F believes the dealer may have set up the agreement with Premium Credit on his behalf. He told us he gave them his bank details over the phone. He's shown us an email from the dealer, confirming they set up the GAP cover for his car. I've considered this.

The dealer clearly did arrange GAP insurance for Mr F. But I've seen nothing to suggest a member of staff at the dealership somehow accessed the welcome letter Premium Credit had sent to Mr F's email account - or accessed Premium Credit's system - so they could sign the credit agreement in Mr F's name. Those would be potentially serious allegations. And if that did happen, that's not something I'd expect Premium Credit to be able to foresee or control. I'd suggest that would be something for Mr F to take up with the dealer.

Even if Mr F wasn't able to access the information Premium Credit uploaded on their online portal, that wouldn't affect my decision. I'm satisfied he knew he needed to make monthly payments, and that Premium Credit had sent him a letter telling him a payment had been missed. I'm not persuaded they should've done anything more to prompt him to pay. It isn't disputed that the payment wasn't made, so I don't consider Premium Credit to have done anything wrong by cancelling the credit agreement.

I'm sorry to hear Mr F's car was stolen. I can understand how upsetting it must've been for him to discover he wouldn't receive the full price he'd paid for it. If he wasn't notified that the GAP insurance had been cancelled, I'd suggest he takes that up with the insurer.

### **My final decision**

For the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 25 October 2024.

Corinne Brown  
**Ombudsman**