

The complaint

Miss S complains that esure Insurance Limited (“esure”) cancelled her motor insurance policy.

Esure is the underwriter of this policy, i.e. the insurer. Part of this complaint concerns the actions of its agent. As esure has accepted it is accountable for the actions of the agent, in my decision, any reference to esure includes the actions of the agent.

What happened

Miss S has car insurance with esure. She pays for it by monthly direct debit.

In June 2023 her direct debit payment was missed. So esure sent her notification of this and asked her to make a payment by 26 June.

Miss S says on 16 June 2023 she made a payment for the amount requested, approximately £100. She says despite this esure continued to send her emails saying she had failed to pay. On 22 June 2023 she contacted esure by the live chat function on the website and esure confirmed that payment had been received.

Miss S says her policy was cancelled on 26 June 2023 despite her making the necessary payment. Esure said it couldn’t reinstate the policy. Miss S wasn’t happy. She wants esure to give her a full refund for her policy, plus her deposit back, so she complained.

Esure apologised for cancelling the policy. It offered to waive the outstanding balance on the account and refund Miss S the £102.02 payment made. But Miss S wasn’t satisfied with this resolution so she referred her complaint to this service.

One of our investigators looked into things for her. She said esure should pay Miss S £100 to recognise the inconvenience caused to her in having to find alternative cover. The investigator recognised it would have been stressful for Miss S to be chased for payment when she’d already made it. The investigator said esure had made some effort to put things right by offering to waive the outstanding balance and refund the direct debit Miss S made.

Miss S didn’t agree with the outcome. She said she’d lost the £200 deposit, and then the months she paid until the policy was cancelled; around 4 months at £102 per month plus the late payment. She wants esure to refund the total amount.

Esure didn’t agree with the investigator’s outcome. It said the outstanding balance owed for time on risk is £70, plus the refund of the £102 payment. So it said a further £100 wasn’t reasonable in the circumstances of the complaint.

Because esure didn’t agree the complaint has come 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.

It's clear how strongly Miss S feels about her complaint. I want to assure her that I've carried out an independent review and considered everything that both parties have submitted. We provide an informal complaints handling service as a free alternative to the courts and this is reflected in the way I've approached this complaint. It's part of my role to identify and concentrate on the core issues I need to address in order to reach a fair outcome – this means I might not mention everything Miss S has said. But I will comment on anything that makes a difference to the outcome of the complaint.

Esure has acknowledged there were failings in the service it provided to Miss S. So what I've needed to consider is whether what it has done to resolve the matter is fair.

Cancelling the policy

When esure became aware of its mistake in cancelling the policy it said it was unable to reinstate it. I would have expected it to offer Miss S the option of taking out a new policy, subject to its underwriting criteria, in order to minimise the inconvenience caused. But I can't see that it did this. I think had she been given that option it's likely she would have explored this further with a view to taking out a new policy. Especially given the level of inconvenience and disruption caused by not having insurance cover in place. So I'm upholding this aspect of the complaint.

Refund of premiums

It's a fundamental principle of insurance law that once the insurer has started to bear risk – for however short a period – the premium paid is not returnable. That means it's not unreasonable for an insurer to keep any premiums relation to the risk it covered during that time.

Miss S wants esure to refund her premiums including the initial first 'deposit' payment. If Miss S had cause to contact esure to deal with an issue covered under the policy it would be obliged to carry that out. And since she has had the benefit of the policy from inception to when it was cancelled, I don't think it's fair to ask esure to refund those premiums.

Putting things right

Esure offered to waive the outstanding balance on the account in resolution of the complaint. It has also offered to refund Miss S £102.90 payment she made in June. And I think that's fair.

However, had the issue with the payment not occurred Miss S would have had the benefit of policy cover continuously, without having to try and find a new policy in such circumstances. The offer from esure only reflects a refund Miss S should be due following on from their mistake in not processing her payment correctly and cancelling the policy thereafter.

It is clear to me that Miss S has gone to a lot of trouble contacting esure and this service in an attempt to resolve her concerns. Miss S was left without insurance for a period which caused her a level of distress. And so to reflect this, and the inconvenience caused, I think compensation in the amount of £100 is fair and reasonable and is broadly in line with the awards which we make for trouble and upset as set out on our website.

So I direct esure to;

- Refund Miss S £102.90 for the payment she made on 16 June 2023

- Waive the outstanding £70.27 owed for time on risk
- Pay Miss S £100 to reflect the impact of esure's mistake on her

My final decision

My final decision is that I uphold this complaint and direct esure Insurance Limited to resolve the complaint by doing what I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 14 May 2024.

Kiran Clair
Ombudsman