

The complaint

Mr R complains that U K Insurance Limited trading as Darwin (UKI) haven't refunded the premium he is due following cancellation of his motor insurance policy.

What happened

In February 2023 Mr R contacted UKI to cancel his motor insurance as the vehicle was off the road and he was looking to sell it. UKI actioned his request and advised he was due £71.75 back and they would refund it to the card they held on file. Mr R told them that account was closed but the agent explained that for anti-money laundering regulations they would need to refund to the card held on file, but the funds should bounce back to them, and they would then arrange to refund the customer by other means.

Mr R accepted this but when he didn't receive the refund, he contacted UKI again in August 2023. UKI confirmed they had refunded the money back to the card held on file, but it hadn't bounced back so the bank would hold the funds until Mr R contacted them. Mr R explained he can't contact them as they're permanently closed, and the phone number doesn't connect. UKI explained they can't ask for the money back as they're not the banks customer so Mr R would need to speak to the bank.

Mr R made a complaint. UKI investigated it and issued their final response on 24 August 2023. They explained they had spoken to a third party who confirmed the refund had delivered successfully and so they believed they had followed the correct process when issuing the refund. They provided a reference number that Mr R could present to the bank to help them locate the refund.

Remaining unhappy Mr R referred his concerns to this service. Our investigator upheld the complaint. She was satisfied Mr R had made UKI aware of the account closure and that he was unable to access the funds from the bank. In light of this she felt UKI should refund the premium directly to Mr R and add 8% simple interest.

Mr R accepted this but UKI didn't so the complaint has been passed 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.

At point of cancellation UKI owed Mr R £71.75 and it appears they actioned the refund promptly. However, they were aware the account they were refunding the money to was closed because Mr R made them aware. They proceeded to refund the money to that account knowing this would likely add a delay to Mr R receiving it, as they were expecting the money to bounce back. But since it didn't bounce back it has now left Mr R without the funds for a prolonged period.

I recognise UKI have obligations under anti-money laundering regulations but given that they said once it had bounced back, they would look to make payment by other means it isn't

clear why this wouldn't have been sufficient in the first place given the circumstances. So, in this case I don't feel UKI have acted reasonably.

Mr R has tried to get in touch with the bank to obtain the money but has been unsuccessful as it is no longer trading. UKI have shared information with us on another e-money institution that they believe holds the money and said that Mr R should contact this organisation to obtain his refund.

UKI provided this information ten months down the line. I don't find it fair or reasonable that Mr R should now have to be put to further inconvenience than he already has especially as this isn't the institution he banked with directly. UKI were aware the account was closed at the time and could have made other arrangements for the refund. I've not seen anything specific to show that was the only option they had to refund the money.

I recognise UKI feel they have followed their process and have already refunded the money. However, they were aware the account was closed at the outset and could have attempted to retrieve the funds when they became aware it hadn't bounced back but I've not seen anything to suggest they've done this.

My final decision

For the reasons explained, U K Insurance Limited trading as Darwin should pay Mr R £71.75 which is the refund he was due. Plus 8% simple interest from the date of the refund was due to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 5 April 2024.

Karin Hutchinson
Ombudsman