

The complaint

Ms G complains that Admiral Insurance (Gibraltar) Limited cancelled her combined motor and property insurance policy without adequately informing her

What happened

Ms G took out a combined motor and contents insurance policy with Admiral. She paid the full yearly premium of £255.50 for the motor insurance in January 2022. The property cover of £51.84 was due to be paid in August 2022.

On 12 July 2022, Admiral wrote to Ms G to say that her property cover would start on 2 August 2022 and that payment would be taken shortly before that time. For reasons that are unclear, the payment failed. Ms G says there were sufficient funds in her account.

On 5 August 2022, Admiral wrote to Ms G to say the card issuer declined the payment and that it would try and take payment again within 10 days. It said if the payment for £51.84 was not successful, the policy could be cancelled. I understand the card issuer declined the payment again.

On 15 August 2022, Admiral wrote to Ms G again to say £51.84 was outstanding. It said that if payment was not received, the policy would be cancelled with effect from 00:01 on 25 August 2022. On 25 August 2022, Admiral wrote to Ms G to say that her policy had been cancelled. Admiral told Ms G she was liable for a £60 administration charge.

When her policy was set up, Ms G had requested that documentation be sent to her electronically. However, all the correspondence listed above was sent by post. Ms G says she did not receive any of Admiral's letters and did not know her policy had been cancelled.

On 9 January 2023, DVLA wrote to Ms G to say that its records showed her vehicle was not insured. It required her to pay a penalty of £50 and to insure her vehicle immediately. Ms G says she ultimately reinsured her motor and property insurance with Admiral, but that this was significantly more expensive than it had been. Ms G says the total cost was £861.44.

She believes the premium was more expensive because she had to declare she'd had a policy cancelled.

Ms G complained to Admiral and her complaint was upheld. Admiral said it had correctly cancelled the policy. But it accepted that Ms G was an online customer and should have received email notifications. However, its systems had defaulted to postal correspondence.

Admiral offered to pay £200 to Ms G to compensate her for the inconvenience she was put to. It also offered to refund £60 to her for the cancellation charge she'd incurred.

Ms G did not accept Admiral's response and so she complained to the Financial Ombudsman. She wanted Admiral to accept it was at fault for cancelling the policy. She also said her no claims discount should be for eight years; and not seven years. She thought that Admiral should refund the additional amount she'd paid to renew her policy.

Our investigator considered the complaint but said that he thought Admiral's offer to settle the complaint was fair. Ms G did not accept that view and so the matter was passed to me for an ombudsman's decision.

I asked our investigator to make some further enquiries of Ms G. She provided a copy of the penalty she'd paid to DVLA. I understand her driving licence was not endorsed because of this penalty.

I then issued a provisional decision because I thought the complaint should be upheld. I said:

"As things stand, I intend to uphold this complaint. I'll explain why.

The first thing I've considered is whether it was fair for Admiral to cancel Ms G's policy.

Cancelling a motor insurance policy can lead to a very significant impact on a consumer. It is illegal to drive without motor insurance and can lead to criminal penalties. In addition to that, if an insurer cancels a policy, it means the consumer will have to tell future insurers that they've had a policy cancelled. I understand this can mean their premiums can be higher. It is clearly imperative that a customer is adequately notified that their policy may be and has been cancelled.

As a service, when an insurer is considering whether to cancel a policy, we consider it to be good industry practice for it to use the consumer's preferred means of communication. Further, we also consider it to be good industry practice for an insurer to use two means of communication, such as email and a letter. It is necessary to send two means of correspondence (including by the customer's preferred means) when warning a consumer about a potential cancellation and to confirm the policy has been cancelled.

It is not disputed that Admiral sent postal correspondence to Ms G when she had opted for electronic communication, nor is it disputed that Admiral used only one form of communication. Ms G told us that she chose electronic communication because her post is delivered to a communal letterbox and frequently goes astray. With all that in mind, I'm provisionally satisfied it was neither fair nor reasonable for Admiral only to send postal correspondence in these circumstances.

I've next considered the impact Admiral's mistake had on Ms G. After considering her submissions, I accept that Ms G did not receive Admiral's correspondence warning her that her policy was to be cancelled. I say this because it appears that as soon as Ms G became aware of the cancellation through DVLA, she took action to reinstate her cover. I also accept her submission that it was not reasonable for her to routinely log in to her Admiral account to check she was still covered when she had paid for her motor insurance cover annually.

In addition to that, Ms G told us there were sufficient funds in her account when Admiral tried to take the payment in August 2022. It follows then that I am provisionally satisfied that if Ms G had been notified there was a relatively small outstanding balance to pay in August 2022, she would have paid this and her policy would not have been cancelled.

Putting all of that together, I intend to find that it was unfair and unreasonable for Admiral to cancel Ms G's policy after only sending warning of that cancellation by post when she had requested email correspondence.

Admiral will then need to take action to put things right for Ms G. I intend to tell it to remove the record of the cancellation from its own or any shared database. This is so Ms G is not unfairly charged extra for the cost of her future insurance policies.

Ms G also incurred a charge of £50 from DVLA for driving an uninsured vehicle. It follows then that I also provisionally find that but for Admiral's mistake, Ms G would not have incurred the DVLA penalty. I intend to tell Admiral to reimburse the cost of that penalty to Ms G and to pay simple interest on that amount from the date she paid it until the date she gets it back.

It is also possible that when Ms G reinstated her policy with Admiral in January 2023 that her premium was more expensive because she'd had a policy cancelled by an insurer. Admiral will need to recalculate the cost of what the renewed policy would have been if her previous cover had not been cancelled. It will need to reimburse and pay simple interest on any difference in cost.

I have noted what Ms G said about her no claims discount and that she would have earned another year if the policy had run full term. However, the terms and conditions that apply to Ms G's policy say that the maximum no claims bonus for Admiral is five years. It follows that I don't think a no claims discount of seven or eight years would make a difference in this case. I am happy to consider anything Ms G provides to the contrary on that point in response to this provisional decision.

I can see that Ms G said that all of this had caused her a lot of stress. I understand Admiral has already paid £200 to Ms G in that regard and that it has refunded the cancellation charge of £60, along with simple interest. I don't require it to do anything more in that regard."

I asked the parties to provide me with any further information or evidence they wanted me to consider by 29 January 2024. Admiral said it accepted my provisional decision. Ms G wanted to clarify that she had taken action to reinstate her cover when she was notified of the issue by the police. This was before she received the letter from DVLA I referred to above.

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 accept Ms G's submissions that she found out about her cancelled policy through the police rather than DVLA. However, I agree with her that this does not make a material difference to my provisional findings.

So, as neither party has provided me with any new information that is material to my decision, I see no reason to depart from my provisional findings. It follows then that for the reasons set out above, I uphold this complaint and require Admiral to put things right.

Putting things right

I require Admiral to:

- Remove any record of the cancellation from its own or any shared database. Admiral must also provide written confirmation to Ms G that her policy was cancelled in error.
- Recalculate the cost of Ms G's renewal policy at what it would have been without the

cancellation and reimburse the difference to Ms G. Admiral will also need to pay simple interest* on this amount at the rate of 8% a year.

- Reimburse Ms G for the £50 penalty she paid for driving an uninsured vehicle. Admiral will need to pay simple interest* on this amount from the date Ms G paid the penalty until the date she gets that money back. The rate of interest is 8% per year.

* If Admiral considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Ms G how much it has taken off. It should also give her a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

I uphold this complaint about Admiral Insurance (Gibraltar) Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms G to accept or reject my decision before 26 February 2024.

Nicola Bowes
Ombudsman