

The complaint

Mr K complains that esure Insurance Limited cancelled his motor insurance policy. He says he was stopped by the police for driving without insurance as a result.

What happened

In late 2022, Mr K took out a motor insurance policy with esure and paid the whole year's premium in full.

In February 2023, Mr K says he was stopped by the police who told him his car wasn't insured. Mr K says his car was impounded and he was arrested and kept in a police cell overnight.

When Mr K contacted esure it told him his policy had been cancelled as he owed money for the previous policy year. It wouldn't agree to reinstate his policy. So, Mr K made a complaint.

Esure said that although Mr K had paid for his policy in full, there was an outstanding balance on his previous policy, which had been cancelled because his payments weren't up to date. A balance of £122.33 had been passed to a third-party to collect but they'd had no success in receiving it, so it had been passed back to esure.

Esure said it had contacted Mr K by email, letter and SMS to confirm the payment was due throughout November and the beginning of December 2022. As it didn't hear from Mr K, it had no option but to cancel his policy for 2022/23. This generated a refund of £1,460.52 which was paid to Mr K in February 2023 when new card details were provided.

Esure said it was satisfied it had taken necessary steps to collect the outstanding balance and provided the relevant information to Mr K before either policy was cancelled.

Mr K remained unhappy and asked our service to consider the matter. He told us he'd been quoted £8,000 for impound insurance, so he couldn't afford to collect his car. He hadn't been able to get mail from his address as he and his partner had temporarily separated, and this had since become permanent. He said he lost his car and job as a result of what had happened. He also became homeless and had to move into a hostel.

I issued a provisional decision on 8 February 2024, where I explained why I intended to uphold Mr K's complaint in part. In that decision I said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Based on what I've seen so far, I intend to uphold Mr K's complaint in part. I'll explain why.

The policy's terms and conditions say:

"We have the right to cancel your policy at any time by giving you seven days' notice in writing where there is a valid reason for doing so. We will send our cancellation notice to the

latest contact details we have for you and will set out the reason for cancellation. Valid reasons may include but are not limited to:

- Where we have been unable to collect a payment (premium or credit installment) we will write to you requesting payment by a specific date. If we do not receive payment by this date we will write to you again notifying you that payment has not been received and giving you seven days notice of a final date for payment. We will also tell you that if payment is not received by this final date your policy will be cancelled. If payment is not received by that final date we will cancel your policy with immediate effect and notify you in writing that such cancellation has taken place. Your credit agreement may also be cancelled. We may also refer your details to a debt collection agency and your credit rating may be impacted...”

I can see that esure sent Mr K several letters in 2022 advising him that the direct debit for his motor insurance policy had been cancelled and asking him for payment. In June 2022, esure told Mr K his policy had been cancelled and there was an outstanding balance of £122.33 due. It looks like esure instructed a debt collection agency to try to recover this balance as there was no contact from Mr K.

I've listened to a recording of Mr K's telephone conversation with esure in late October 2022, when he discussed taking out another policy. Mr K asked if there was anything outstanding on his previous policy and esure said there wasn't. Shortly afterwards, Mr K went ahead and purchased his new policy which started in November 2022, paying the whole year's premium in full.

About a week after the new policy started, esure wrote to Mr K informing him that he still owed £122.33 on his previous policy. It told him he needed to pay this amount for it to be able to continue cover with his current policy. It sent him another letter a couple of weeks later, telling him his policy would be cancelled on 9 December 2022 if the £122.33 wasn't paid. On 12 December 2022, esure sent Mr K a letter notifying him that his policy had been cancelled.

Esure says it also sent Mr K these notifications by email and SMS. However, it hasn't provided evidence to support this. Regardless of whether or not these were sent, I don't think it was fair for esure to cancel Mr K's policy. It was a separate contract to the policy he owed money on. So, I don't think it's acted reasonably here.

Mr K says he wasn't aware that esure had cancelled his policy until he was stopped by the police for driving without insurance in February 2023. Although I haven't seen any documentary evidence to show this. Mr K has provided a document relating to a police incident on 20 February 2023. But this doesn't make reference to him driving his car or not having insurance.

Mr K says he was summonsed to attend court in June 2023. He told us that when he got to court the charges for driving without insurance were dropped. However, he's recently made us aware that he was given community service for another reason. Mr K says this wouldn't have happened if he hadn't been stopped for driving without insurance and it has also affected his ability to find work.

Even if I had seen evidence to show that Mr K was stopped for driving without insurance, I don't think it would be fair to say esure is responsible for the court's decision as this relates to a different matter.

Mr K initially told us his car had been crushed as he wasn't able to collect it from the impound because the insurance was too expensive. More recently, he told us he'd discovered his car had been sold at a police auction. Mr K has provided a call recording of him being told this, although it's unclear who he was speaking to. He hasn't provided written confirmation to show what happened to his car.

Mr K says being without a car has affected his ability to be able to work. He's also told us he'd lost his tools as they were in the car. However, Mr K doesn't seem to have followed up on what happened to his car for around a year. If it was sold, he may have been entitled to the proceeds of the sale. Even if he wasn't able to take his car, he should still have been able to collect his tools.

Mr K has provided several typed letters which look like they might be from potential customers in support of his claim for loss of earnings. However, he's also provided his bank statements to show his income prior to his car being taken. The letters of intent suggest Mr K would have been paid much more by these potential customers than the income he was previously earning. So, I don't find these persuasive.

I don't doubt that Mr K has been going through a difficult time. However, based on what I've seen so far, I'm not persuaded esure is responsible for the financial loss he is claiming for. I haven't seen evidence to show that Mr K was stopped for driving without insurance. Even if I was to accept that he was, I'm not persuaded from what I've seen that esure is responsible for Mr K being without a car, his tools or losing out on employment opportunities.

I don't think it was fair for esure to have cancelled Mr K's policy in order to collect the amount it owed on his previous policy. I don't think it would make sense for me to tell esure to pay this back to him, as it does appear to have been outstanding. However, I think it should reimburse Mr K the £60 cancellation fee he was charged for the December 2022 cancellation. It should also pay him 8% simple interest per year from the date the policy refund was released to him (in February 2023) to the date the £60 is paid. Esure should also remove any record of the December 2022 cancellation from internal and external databases.

I think esure is responsible for causing Mr K some distress and inconvenience by cancelling his policy when it shouldn't have. Mr K had paid the full year's premium, so I don't think he would have expected the policy to be cancelled. And it would have been frustrating for him to find that it was. However, think the £150 compensation our investigator recommended esure pay him for distress and inconvenience is reasonable. So, I haven't found reason to increase this."

I set out what I intended to direct esure to do to put things right. And I gave both parties the opportunity to send me any further information or comments they wanted me to consider before I issued my final decision.

Responses

Esure said it accepted my findings and would look to action the requirements once we'd confirmed Mr K had accepted them.

Mr K said his business was incorporated in March 2022 and started operating in December 2022. He said he'd secured his car insurance so he could focus on getting all the contracts he could. He provided evidence showing he'd opened a business account in December 2022 and statements up to February 2023. And he provided information relating to a contract he was working on in December 2022.

Mr K also provided evidence to support what he'd told us about being stopped by police and being summonsed to court.

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'm satisfied from the further information Mr K has provided that one of the charges he faced upon being stopped by the police in February 2023 was for driving a motor vehicle without insurance. The no insurance charge was later withdrawn by the court and Mr K pleaded guilty to the other offence on the advice of his solicitor.

In my provisional decision I explained why I didn't feel it would be fair to hold esure responsible for the court's decision relating to the other offence Mr K was charged with. So, it wouldn't be reasonable for me to ask esure to compensate Mr K for any loss of earnings as a result of this. I also explained why I didn't think esure was responsible for Mr K being left without a car and his tools or losing out on employment opportunities. So, the additional information from Mr K hasn't made a difference to the outcome I reached in my provisional decision.

I understand Mr K has been going through an extremely difficult time and I empathise with him. But I'm not persuaded that these difficulties are as a result of esure's error in cancelling his insurance. And I think the £150 esure has agreed to pay reasonably recognises the distress and inconvenience it's caused him.

Putting things right

Esure should:

- Reimburse Mr K the £60 cancellation fee he was charged and
- Add interest to the above at 8% simple* per year from the date his policy refund was released until the date the cancellation fee is reimbursed.
- Pay Mr K £150 for distress and inconvenience.
- Remove any record of the cancellation of the policy in December 2022 from internal and external databases.

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

My final decision

For the reasons I've explained, I uphold Mr K's complaint and direct esure Insurance Limited to put things right by doing as I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 22 March 2024.

Anne Muscroft
Ombudsman