

The complaint

Miss P is unhappy that Aioi Nissay Dowa Insurance UK Limited cancelled her motor insurance policy.

Aioi is the underwriter of this policy, i.e. the insurer. Part of this complaint concerns the actions of intermediaries, for which Aioi has accepted responsibility. Any reference to Aioi includes the actions of its intermediaries.

Miss P is represented by her mother, Miss S, whom I will refer to separately.

What happened

Miss P held a motor insurance policy with Aioi, for which she paid monthly.

In July 2023, Aioi's finance provider was unable to take Miss P's monthly repayment. Aioi and its finance provider attempted to get in touch with Miss P about this. Aioi warned that the payment had been missed and, if it wasn't made, the policy would be cancelled on 16 August 2023. The payment wasn't made, so the policy was cancelled.

Miss S tried to resolve things with Aioi on Miss P's behalf. She said Miss P had been away on holiday, and Miss S had been away as well, so they didn't receive Aioi's letters. She also said Miss P had to remove her SIM card while she was away, so she didn't have access to her texts and emails. Miss S escalated this to a formal complaint because she didn't think it was fair that Miss P's policy was cancelled and wouldn't be reinstated.

Aioi looked into things and rejected the complaint. It said it had acted in line with the terms of Miss P's insurance policy and had given Miss P plenty of notice before cancelling the policy.

Unhappy with this, Miss S referred Miss P's complaint to the Financial Ombudsman.

Our investigator looked into things and didn't think the complaint should be upheld. While he empathised with Miss P's situation, he thought Aioi had acted in line with the terms of the policy by providing enough notice, by several means, before making the decision to cancel. And he couldn't see that there was a suggestion that Miss P had been in any financial difficulty.

Miss S didn't agree. She said Miss P had made an honest mistake and didn't think it was fair that she'd have to suffer the consequences of having to declare the cancelled policy for the rest of her life. So, Miss P's 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.

Having done so, I won't be upholding Miss P's complaint for the same reasons as our investigator.

Miss S has told our service about how the cancellation has affected Miss P and her family. And I'm sorry to hear that this has had an effect on Miss P's mental health and caused her to worry about taking out other insurance products. I know this complaint is important to her and her family. But I have to consider whether Aioi has done something wrong – and in the circumstances of this complaint I don't think it has.

Cancelling a motor insurance policy is a serious decision for an insurer to make. We would expect to see that the insurer has acted in line with the terms of its insurance contract when making the decision to cancel. And due to the consequences of driving without insurance, we think it's good industry practice for the insurer to use more than one means of communication when contacting a policyholder about it.

So, I've considered whether Aioi has acted in line with the terms of Miss P's insurance policy, how it communicated with Miss P, and whether cancelling was fair in the circumstances, given Miss P was abroad at the time.

Miss P's policy sets out Aioi's rights when it comes to cancelling for non-payment. It said,

“If you choose to pay your premium by monthly instalments via Direct Debit, or a similar arrangement under a credit agreement, you must ... make sure your instalment payments are kept up to date. ...

If you pay your deposit but we receive notification from [finance provider] that you have not made an instalment payment on or before the date it was due, and arrangements are not made to pay the outstanding premium within 14 days of the original due date, we will cancel your policy by writing to you at your last known address 7 days in advance of the cancellation date. The policy will end when the 7 days' notice runs out.”

I've seen the correspondence Aioi sent to Miss P on 8 August 2023, by letter and email. This warned that her repayment had been missed and it set out what would happen if it wasn't paid by 15 August 2023. It also set out two ways Miss P could pay. I've seen the text message that Aioi sent to Miss P's phone number on 9 August 2023 as well. This informed her of the missed payment and urged her to get in touch. So I'm satisfied Aioi gave Miss P at least seven days' notice before choosing to cancel, in line with the above terms. I also think it acted in line with good industry practice by using more than one communication method.

I've thought about what Miss P has said about Miss S being out of the country and unreachable. I recognise it would have been distressing for Miss S to come home to find that her policy had been cancelled. But I don't think her being away means that Aioi acted unfairly on this occasion. I say that for two reasons.

First, Miss S has told our service that Miss P was away from 4 August to 16 August, so she couldn't have received Aioi's correspondence. But Aioi has shown that its finance provider sent a letter and a text to Miss P on 26 July 2023. I haven't seen a copy of this letter, but the finance provider's records indicate that it was sent. And I have seen a copy of the text it sent to Miss P's mobile number on 26 July, which said:

“An attempt to collect your monthly premium payment has failed. [Finance provider] will attempt to collect your payment on 04/08/2023”.

So, I think Miss P was informed that there was a problem with her monthly repayment even before she went away.

Second, I have to keep in mind that Miss P had a responsibility to keep her repayments up to date by ensuring funds were available – and I think this applied even while she was away. So I'm not persuaded that it was unfair for Aioi to cancel Miss P's policy in the circumstances.

I appreciate Miss P is worried about having to declare the cancellation to future insurers. She may wish to speak to them to understand what she does or doesn't need to disclose.

I know my outcome will be disappointing for Miss P and her family. But I think Aioi was entitled to cancel Miss P's policy and I think it acted fairly. So I don't require Aioi to do anything further.

My final decision

For the reasons I've explained, I don't uphold Miss P's complaint about Aioi Nissay Dowa Insurance UK Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 8 April 2024.

Chris Woolaway
Ombudsman