

The complaint

Mr B complains that BISL Limited (BISL) cancelled his motor insurance policy in error. This meant setting up a new policy with a much higher premium.

What happened

Mr B says BISL accepts it cancelled his policy due to a system error. This meant he was uninsured from 21 June to 19 July 2023. He says BISL refused to reinstate his policy at the agreed premium of £727.30. It offered him a new policy instead at a cost of £2,363.83. Mr B says he accepted the offer so as to ensure his car was insured. He then obtained other quotes and insured with another provider. His new annual premium cost £1,219.41.

Mr B says he didn't want to place his business with BISL given his experience. Although he was able to obtain cover at a lower cost, this was still more expensive than his original policy. Mr B says he has been caused a great deal of stress and inconvenience by BISL's actions. He wants it to refund the increase he paid in insurance premiums and to be provided with compensation.

In its final complaint response BISL says Mr B applied for his policy online. He confirmed he had nine years no-claims discount (NCD). A policy was arranged based on this information. BISL says that at times it requires proof of a customer's NCD. On or around 21 June 2023 it says Mr B sent proof of seven years NCD. It says as this didn't match the NCD information he'd confirmed online, it sent an email explaining the next steps. BISL says it explained that it required proof of nine years NCD, or Mr B's premium could change, or his policy could be cancelled.

In its response BISL says Mr B's policy was cancelled in error on the same day it sent its email. It says this shouldn't have happened and that correspondence should've been sent to him. It paid him £200 compensation and removed its £55 cancellation fee in light of this. In addition, it says a premium refund for £570.95 was paid. In its response BISL advised that a policy had been set up with effect from 19 July 2023 at a cost of £2,363.83. It said the first payment hasn't yet been taken and Mr B has the opportunity to cancel the new policy until 3 August. The business also explained there was no charge for time on cover if Mr B chose to cancel.

Mr B didn't think he'd been treated fairly and referred the matter to our service. Our investigator upheld his complaint. He says Mr B should've been allowed to continue his original policy with an adjustment for the NCD he was able to evidence. He didn't think it was fair that BISL's cancellation meant he was then offered a premium for around four times the price.

Our investigator says BISL should pay Mr B the difference between his original premium and the cost of the new policy he obtained. He says this means it should pay him £41.01, which is the monthly difference – for a period of nine months. This amounts to £369.09. He thought the compensation payment and the period of free cover was fair to acknowledge the inconvenience and stress it had caused.

BISL didn't agree with our investigator's findings and asked for an ombudsman to consider the matter.

It 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'm upholding Mr B's complaint. Let me explain.

BISL acknowledges it cancelled Mr B's policy due to a system error. But in its submissions to our service, it says its error was cancelling the policy immediately, as opposed to cancelling after a period of notice. I've thought carefully about this point.

The policy terms and conditions BISL sent to Mr B say:

"Where we cancel the policy

We may cancel your policy if there are serious grounds to do so such as non-payment, failure to supply requested validation documentation (proof of No Claims Discount, Security etc) you have provided us with incorrect information and you have failed to provide a remedy when requested or you behave in a threatening, abusive or inappropriate manner towards our staff, our representatives or providers. Where we cancel we will provide seven days' prior written notice to your last known address unless we are required to cancel earlier. If we cancel your policy we will refund a percentage of the premium calculated on a daily pro rata basis equivalent to the period of cover left unused, providing no claims have been made"

BISL says Mr B wasn't required to provide proof of the NCD he'd declared. However, he did so around 21 June 2023. The information he sent to BISL showed seven years NCD. There's no dispute that there was a discrepancy here, as Mr B confirmed nine years NCD in his application.

That said Mr B's policy terms say the policy may be cancelled if Mr B fails to provide a remedy to incorrect information being provided. He didn't get the opportunity to provide a remedy because BISL cancelled his policy in error. In addition, he wasn't given seven days' notice of the cancellation.

Having thought about this, I don't think BISL has treated Mr B fairly. In the email it sent to him on 21 June it says his premium may change or his policy may be cancelled. BISL hasn't shown that Mr B's insurer would've cancelled the policy based on a slight reduction in NCD. I think it's more likely that it would've adjusted the premium to reflect the lower number of NCD years. That said we know that Mr B actually had in excess of nine years NCD. So had he been given the opportunity to provide this evidence, it's probable his premium will have remained the same.

BISL says its error was cancelling Mr B's policy too early without notice. Not that it cancelled the policy. This means its cancellation was based on Mr B misrepresenting the information he provided about his NCD. In which case the relevant law that applies is the Consumer Insurance Disclosure and Representations Act (CIDRA). This essentially says that the consumer must take reasonable care not to make a misrepresentation when taking out insurance.

I haven't seen the questions BISL asked Mr B. But assuming the questions were clearly

stated, and Mr B didn't take reasonable care to not misrepresent his NCD information - BISL would then need to show his misrepresentation was a qualifying one. This means the insurer wouldn't have provided cover at all had it known the correct information about Mr B's NCD.

BISL hasn't shown that Mr B's insurer wouldn't insure him with fewer years on his NCD. It's more probable that it would've adjusted its premium to account for the lower NCD, if Mr B was unable to prove he had the number of years he originally stated.

If not for BISL cancelling the policy in error I think it's probable that Mr B could've continued with his policy on the same terms or with a slightly increased premium. Because of this I think it's fair that it compensates Mr B for the financial loss he's suffered. I agree with our investigator that it should pay the difference in the premiums Mr B has paid from August 2023 to April 2024 on receipt of proof of payment. The difference amounts to £41.01 per month multiplied by nine months, which comes to £369.09.

I have no doubt that this matter has caused inconvenience for Mr B when contacting BISL and when arranging alternative insurance. The cancellation of his policy has also caused him stress. It's fair that Mr B receives compensation for this. But I think the payment BISL offered was fair along with the period of free cover. So, I won't ask it to pay more.

My final decision

My final decision is that I uphold this complaint. BISL Limited should:

- pay Mr B the additional premium payments he made from August 2023 up to April 2024 on receipt of proof of payment.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 15 May 2024.

Mike Waldron
Ombudsman