

The complaint

Ms T complains that Mulsanne Insurance Company Limited (Mulsanne) unfairly cancelled her motor insurance policy.

What happened

When Ms T bought a motor insurance policy from Mulsanne in February 2023 she said she expected to drive a total of 5,000 miles in the year. In July 2023 Mulsanne emailed Ms T to say it had checked her policy and in light of her current mileage, it believed she would exceed the 5,000 miles on her policy. So, she would need to pay an additional premium. It asked her to contact Mulsanne to make that payment to ensure her policy wasn't cancelled. Mulsanne sent a text to Ms T two days later, which said, "We are outstanding some important information from you" and asked her to log into her account or her policy could be cancelled. Mulsanne cancelled Ms T's policy seven days after it sent the email. It confirmed that cancellation by email two days later and by text the day after that.

Ms T complained. She said she didn't know her policy had been cancelled until she received Mulsanne's email two days after the cancellation. She said the first email it had sent had gone into her spam folder so she hadn't seen it. She did receive the text asking her to log into her account. And she had done that. But she said there weren't any outstanding documents on there, so assumed the text had been sent in error.

Mulsanne didn't uphold Ms T's complaint as it believed it had followed the correct process. It said it had used her preferred method of contact and used the correct email address. Mulsanne said it had given Ms T a refund on her premium of £254.20 and a further £40 when she'd returned her telematics unit. Ms T wasn't happy with this response and brought her complaint to this service. She said she hadn't received a refund from Mulsanne. She said she'd had to use a taxi when she suddenly found out her policy had been cancelled. And her new car insurance had cost her more money than the one that had been cancelled.

Our investigator partly upheld Ms T's complaint. She said Mulsanne had sent the notice of cancellation to the correct email address, and she didn't think it was its fault the email had gone into Ms T's spam folder. But there had been a delay in providing Ms T with the refunds she was due, as the original payments had bounced and Mulsanne hadn't followed those up. So, she thought Mulsanne should pay those amounts and add 8% interest from the date they should have been paid. She also thought it should give Ms T £175 compensation for the distress and inconvenience caused.

Mulsanne accepted our investigator's recommendations. But Ms T remained unhappy, so her complaint was passed to me to make a final decision. I reached a different conclusion to our investigator, so I sent a provisional decision to Ms T and Mulsanne to give them an opportunity to comment. Ms T provided details of her new motor insurance policy, while Mulsanne didn't respond. So, my findings and my decision below are substantially the same as set out in my provisional decision.

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.

Ms T's policy says that Mulsanne can cancel her insurance by giving her 7 days' notice in writing to her last known address or email address. It says it will only exercise this right if there's a good reason for doing so. Ms T hasn't disputed the reason Mulsanne gave for asking her to pay an additional premium in July 2023. So, the only question here is whether or not it acted reasonably when cancelling her policy.

There's no dispute that Mulsanne's email notifying Ms T of an increase in her premiums was sent to the correct email address. Ms T accepts she received it but said it went into her spam folder. I agree with our investigator that this wasn't the fault of Mulsanne. It has shown us evidence that Ms T's preferred method of contact was email. And it sent the email to the correct address. Even though Ms T accepts she didn't read that email, I should note here that it wasn't particularly clear. It said Ms T needed to contact Mulsanne to arrange payment of the additional amount, and to ensure the policy wasn't cancelled. But it didn't give a timescale for that. It goes on to say the telematics unit must be returned within seven days of cancellation, but the email didn't say that payment had to be made within seven days.

Ms T also accepts she received the text Mulsanne sent to her two days after the email asking her to pay the additional premium. She says she did as she was asked and logged into her online account but says she couldn't see any new documents. So, she assumed the text had been sent in error. Ms T provided a screenshot of her Mulsanne online account to show the documents she'd received. The screenshot shows the documents she received when she set up her policy in February 2023 and the cancellation email she received in late July 2023. But no other documents.

I asked Mulsanne if it had any evidence to show there were documents on Ms T's online account in July 2023 that warned her she needed to make an additional payment to avoid her account being cancelled. But Mulsanne didn't respond. So, on the balance of probabilities, and in the absence of any contradictory evidence, I think it's more likely than not there wasn't anything on Ms T's online account to alert her to the possibility of her policy being cancelled. Mulsanne might argue that Ms T should have got in contact to further question the text she received. But, on balance, I don't think it was unreasonable for Ms T to believe the text had been sent in error, having already logged into her account and not seen anything on there to cause any concern.

Due to the implications of having a policy cancelled and the risks involved of not receiving the cancellation letter, this service thinks it's good industry practice for an insurer to use two means of communication when notifying its customers they need to take action to avoid cancellation. That might be a letter and an email, or an email and a text message. In this case, Mulsanne used an email and text. But I don't think either of those gave Ms T enough information to let her know what she needed to do avoid cancellation. As set out above, the initial email didn't include any timescales. While the text it sent two days later prompted Ms T to log into her account when there was no new information for her to review.

So, having considered the evidence, I'm not persuaded Mulsanne's decision to cancel Ms T's policy was fair or reasonable in these particular circumstances.

Putting things right

When Ms T found out her policy had been cancelled, she called Mulsanne and tried to pay the additional premium to avoid the cancellation. So, I'm satisfied that, had Mulsanne

communicated with Ms T correctly, this is what she would have done. She would have paid the additional amount and continued with her policy. Instead, she found out two days after her policy had been cancelled that she'd been driving while uninsured. She then paid for a taxi to take her to work and had to arrange new car insurance, which was more expensive. As our investigator said, there was also a delay in providing the refunds on Ms T's premium and the amount for returning the telematics unit.

Had Ms T's policy with Mulsanne not been cancelled, she would have paid her original premium and an additional premium. Because the policy was unfairly cancelled, Ms T says she had to pay more for a new policy. In these circumstances, I think it's fair that Mulsanne should pay the difference between the last annual premium Ms T had with Mulsanne, including the additional amount added in July 2023, and the premium paid to her new insurer.

Mulsanne should also refund any cancellation fees Ms T has paid. And remove any reference to the policy being cancelled on internal and any external databases. I also think Mulsanne should write to Ms T to confirm her policy was cancelled in error and explain how much has been refunded to her.

I understand Mulsanne has now refunded the amounts it owed Ms T. £254.20 for the remainder of her premium when her policy was cancelled and £40 for returning the telematics unit. Plus 8% interest for the period from when those payments should have been made until the date they were paid. These were amounts Mulsanne thought it had paid at the time Ms T's policy was cancelled when, in fact, it hadn't done so. And I think this is a fair way of putting that mistake right.

Our investigator also recommended that Mulsanne pay Ms T £175 to reflect the frustration and effort Ms T had to go to before it paid her those amounts. As I have now decided Mulsanne shouldn't have cancelled Ms T's policy, I think Mulsanne should increase that amount to reflect the distress, worry and inconvenience she's experienced, including the need to use a taxi when she found out her policy had been cancelled. I think a total amount of £350 would better reflect the impact caused by Mulsanne's poor service. Taken together with the action I've recommended above, I think this provides a fair and reasonable resolution to Ms T's complaint.

My final decision

In light of my findings above, my final decision is that Mulsanne Insurance Company Limited should do the following:

- Pay Ms T the difference between the cost of her new insurance policy (on provision of evidence of that cost) and the cost of the cancelled policy.
- Refund any cancellation fees Ms T has paid. If Ms T has already paid this, it should add simple interest of 8% a year from the date it was paid until the date it's refunded.
- Remove any record of the cancellation from internal and external databases.
- Write to Ms T to confirm her policy was cancelled in error and explain how much has been refunded to her.
- If it has not done so already, refund the amounts highlighted above (£254.20 and £40) and add 8% simple interest from the date it initially said it paid her to the date of payment.
- Pay Ms T £350 in total for the inconvenience and distress caused by its poor service. If it's already paid £175 it can deduct this from the total amount.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms T to accept or reject my decision before 14 May 2024.

Richard Walker
Ombudsman