

The complaint

Mr D complains about how Atlanta Insurance Intermediaries Limited trading as Swinton Insurance administered his commercial motor insurance policy.

What happened

Mr D called Swinton to make a mid-term adjustment to his policy. He agreed to pay a deposit for this, and Swinton issued new policy documents. But Swinton didn't tell him that his direct debit payment for the policy had been returned as unpaid and the policy would cancel. A notice of cancellation was issued but Mr D thought this was an error as he'd agreed a payment plan the previous day. But the policy later cancelled due to non-payment.

Our Investigator recommended that the complaint should be upheld. She thought Swinton had given Mr D unclear information about the policy as it hadn't mentioned the outstanding balance in the call, and it had issued new policy documents suggesting the policy was up to date. She thought it should remove records of the cancellation and pay Mr D £100 compensation. She also thought Mr D had gained no benefit from the mid-term adjustment and that Swinton should return his deposit with interest.

Swinton didn't respond to the Investigator's view, so the complaint has come to me for a final 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.

I can understand that Mr D felt frustrated when his policy was cancelled after he thought he had made the changes he wished to and arranged his payments. I've firstly thought about whether the cancellation was fair.

Swinton said it cancelled the policy because of a missed payment. It said it made Mr D aware of the missed payment. And I can see that it wrote to him. Mr D said there were problems with the post in his area. But I can't reasonably hold Swinton responsible for this. And I think it was for Mr D to ensure that he had sufficient funds in his account to meet the direct debit.

But Mr D called Swinton to make the mid-term adjustment before it had issued a notice of cancellation. And during this call the missed payment and overdue account weren't mentioned even though the call handler recalculated his payments and so must have had access to his account.

And then Swinton issued new policy documents with the revised payment schedule to follow. But no mention was made of missed payments. I think this was a missed opportunity and if Swinton had then brought this to Mr D's attention I think he would most likely have made the missed payment.

Swinton emailed Mr D the notice of cancellation the next day. Mr D said he thought this was a technical error as he had just spoken to Swinton and missed payments weren't mentioned. And so I can understand why he ignored the email.

So I think the cancellation was unfair as Swinton could have reasonably prevented it. And I think that to put things right for Mr D it should remove records of the cancellation. Mr D has been caused trouble and upset by the unfair cancellation as he had to find alternative cover so he could continue to work. And I think Swinton should pay him £100 compensation for this. This amount is in keeping with our published guidance for the impact the error had.

I can see there was confusion about whether Mr D would have to make any further payments for the three months after he made the mid-term adjustment. Mr D's policy had already run for three months, and the call handler tried to explain that the additional premium was calculated on this basis. But Mr D was left with the impression, which the call handler confirmed, that because he had paid a deposit no further payments would be required for three months.

Swinton agreed this hadn't been made clear and it waived the balance outstanding as a gesture of goodwill. But I don't think that was fair and reasonable in the circumstances. This is because the outstanding balance was £17.78, plus Swinton's £50 cancellation fee, after Swinton had taken the payment of £158.70 for the mid-term adjustment. So Mr D had made a payment for an adjustment, but he had no benefit from it because Swinton unfairly cancelled the policy.

To put things right, I think Swinton should now refund Mr D the deposit he paid for his mid-term adjustment, with interest as he has been without his money for some time. The cancellation fee should not have been charged. And, as compensation for its error, I think Swinton should not reclaim the amount it waived.

Putting things right

I require Atlanta Insurance Intermediaries Limited trading as Swinton Insurance to do the following:

1. Remove records of the cancellation from its database, and ask the insurer to do the same, and provide Mr D with a letter stating that the policy was cancelled in error.
2. Pay Mr D £100 compensation for the distress and inconvenience caused by the unfair cancellation of his policy.
3. Refund Mr D £158.70 adding interest at the rate of 8% simple per annum from the date Mr D made the payment to the date of settlement†.

†If Swinton considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr D how much it's taken off. It should also give Mr D 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 given above, my final decision is that I uphold this complaint. I require Atlanta Insurance Intermediaries Limited trading as Swinton Insurance to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 31 July 2024.

Phillip Berechree
Ombudsman