

The complaint

Mr S complains that UK Insurance Limited (trading as Direct Line) didn't notify him that it had decided not to automatically renew his commercial van insurance policy.

What happened

Mr S took out van insurance with Direct Line in April 2021 and his policy was auto renewed in April 2022. In March 2023 Direct Line sent an email to Mr S to say that it had decided not to renew his insurance policy. It said the cover would end in April 2023, in about 3 weeks' time. Mr S said he didn't receive this email. In June 2023 Mr S was pulled over by the police and later convicted of driving without insurance. He paid a fine of £300 and got six points on his driving licence. He also complained to Direct Line as he said it hadn't told him his policy was going to end.

Direct Line said it had followed its normal procedures when it had decided not to renew Mr S's policy in March 2023. It sent him an email in accordance with his communication preference and it confirmed it had sent the email to the correct email address.

Our investigator decided to uphold Mr S's complaint. She accepted that Direct Line had emailed Mr S in line with his communication preference and told him that it wouldn't be renewing his policy in April 2023. But she thought, given the potential consequences of not having insurance, that Direct Line should have done more and tried to contact Mr S by other means (such as a telephone call, text or letter).

As Direct Line didn't agree, Mr S's complaint was passed to me to make a decision. I reached a slightly different outcome to that reached by our investigator and so I issued a provisional decision, which I shared with both parties. I've set out the main part of my findings below:

"Mr S's policy was auto renewed in April 2022 and the documents he was given said that his policy was set up to renew automatically. He said this was a large factor in buying insurance with Direct Line. So, I think he had a reasonable expectation that his policy would auto renew in April 2023. Mr S paid his premium by monthly direct debit but says he was not in the habit of checking that his monthly payments were being taken from his account, as he had no reason to. So, I think it was reasonable for him to say that he didn't notice whether the payments had continued to be taken after April 2023.

Direct Line said it acted in line with its normal procedures when it sent an email to Mr S in March 2023 to say his policy wouldn't auto renew. But I don't think that was enough. I'm satisfied the email was sent to the correct email address and that it was reasonable to send an email as that is what Mr S had put down as his main communication preference. But I think Direct Line should have done more here. Given the serious consequences of driving without insurance, I think Direct Line should have followed up their email correspondence with another form of correspondence to confirm what it was doing, either a text, a phone call or letter. And that could have been either before the policy ended or afterwards, to confirm it had

ended.

So, I don't think Direct Line has acted fairly and I think it should look to put Mr S back into the position he would have been in had he been made aware his policy wasn't going to be renewed. In that situation, it's more likely than not that Mr S would have taken out an insurance policy with another insurer. He wouldn't then have been pulled over by the police, he wouldn't have to have paid a £300 penalty and he wouldn't have 6 points added to his driving licence.

Putting things right

So, what should Direct Line do to put things right? I think it should reimburse Mr S for the cost of the penalty, plus 8% interest from the date he paid the fee to the date it's reimbursed. It should also provide Mr S with a letter of indemnity stating that he was not at fault for driving without insurance for nearly three months between April and June 2023.

I also think Direct Line should compensate Mr S for the likely impact on his premiums of having six points on his licence. The amount it should pay in this regard isn't easy to calculate. There are many unknown factors involved in deciding a fair award for future losses where a consumer has received penalty points for a driving offence. A conviction is very likely to impact on future premiums – Mr S will have to disclose it and most insurers charge more to insure someone with this type of conviction. But it can vary from insurer to insurer, and we don't know for sure if a customer will continue to drive, or whether there might be other changes that will affect future premiums for that customer.

Our investigator thought the fairest way of calculating future losses in this case was to look at how much extra Mr S was charged by his new insurer and then multiply this by five and then halve the total amount. She multiplied the difference by five because insurers usually take a conviction into account for five years. But the impact will usually lessen over the course of five years – insurers applying a larger weighting to the premium in the first year after the conviction than in later years – which is why our investigator halved the total amount. As she thought Mr S's new insurance policy cost £390.39 more than his policy with Direct Line, this amounted to a total of £1,951.95 over five years. And half of that is £975.98. I've considered that calculation and while I accept this is not an exact science, I'm satisfied this is the fairest way of putting things right for Mr S.

But the figures aren't quite right. Mr S's new policy actually cost £291.16 more than his previous policy, not £390.39. Our investigator was looking at Mr S's premium for 2021/22 rather than 2022/23. So, the difference between the old and new policy multiplied by five and then halved amounts to £727.90. I think Direct Line should pay that amount to Mr S to compensate him for the likely impact on his premium of having six points on his licence.

I also think Direct Line should compensate Mr S for the distress and inconvenience this matter has caused. Being pulled over by the police for not having insurance must have been very worrying for him. Then finding out from Direct Line that he had indeed been driving without insurance for about three months and having to try to put things right, would have added to that worry. I think £500 would be a fair and reasonable way of compensating Mr S for the impact caused.”

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.

Mr S said he was happy to accept the outcome I'd recommended in my provisional decision. UKI questioned the consistency of our decision making and attached a copy of an opinion one of our investigators had issued recently relating to a different complaint about UKI. It highlighted some of the comments our investigator had made in that case, particularly that it's not our services role to dictate how insurers assess risk and what they decide to insure. So, she couldn't comment on how UKI chose to assess risk in that case. And our investigator's comments about the policy terms in that case, which she believed showed that the autorenewal could be rejected by either UKI or its customer. Our investigator didn't uphold that complaint.

I've considered UKI's comments but I don't think they cause me to change my decision. Mr S didn't complain about UKI's decision not to renew his policy. His complaint was solely about the impact of not knowing his policy had ended. So, there was no need for me to comment on the role of insurers, rather than this service, to assess risk. And there was no need for me to comment on whether or not it was fair for UKI to end Mr S's insurance policy. The question in dispute here was how UKI notified Mr S his policy had ended. And I'm satisfied UKI should have done more to notify Mr S it wasn't going to renew his policy. So, my findings above and my decision below are substantially the same as set out in my provisional decision.

My final decision

In light of my findings above, my final decision is that UK Insurance Limited trading as Direct Line should do the following:

- Pay Mr S £300 to reimburse him for the cost of the fine. It should also add 8% simple interest a year from the date it was paid until the date it's refunded.
- Write to Mr S to confirm he was not at fault for driving without insurance for nearly three months between April and June 2023.
- Pay Mr S £727.90 to compensate him for the increase in his insurance premium due to the impact of having six points added to his driving licence.
- Pay Mr S £500 for the inconvenience and distress caused by its poor service.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 20 June 2024.

Richard Walker
Ombudsman