

The complaint

Miss M complains about Red Sands Insurance Company (Europe) Limited (Red Sands) withdrawing her pet insurance policy.

References to Red Sands include their agents who administer the policy.

What happened

Miss M had a pet insurance policy with Red Sands covering her cat. In July 2023 Red Sands didn't collect her monthly premium payment under the policy, which Miss M was unaware of until she checked her account and saw the payment hadn't been taken. She contacted Red Sands to ask why they hadn't taken the payment.

They told her they'd cancelled all policies of the kind Miss M had taken out (a basic policy) as they were withdrawing the basic policy from the market, as they considered it no longer offered sufficient protection for pets. Red Sands said they'd informed policyholders by email, but Miss M didn't receive an email as she'd changed her email account. Miss M thought Red Sands could have informed her by letter.

However, Miss M's cat became ill during the period after her policy was cancelled and the treatment cost nearly £1,300. As her policy had been cancelled, then she wasn't able to make a claim.

Miss M complained to Red Sands. She was unhappy at her basic policy being cancelled and that she wasn't told about the cancellation until she noticed the monthly payment hadn't been collected from her bank account.

Red Sands partially upheld the complaint. They didn't uphold part of the complaint about the withdrawal of the basic policy. In their final response they said they'd decided to withdraw the product because they felt it no longer offered sufficient protection for policyholders or their pets. They regularly reviewed cover offered under policies and referred to a significant increase in vet fees over recent years. With the average cost of vet treatment £848 (data from the Association of British Insurers) the basic policy limit of £500 for vet fees wasn't sufficient to cover this average, leaving policyholders to pay the balance of the cost. Red Sands regretted the inconvenience from withdrawal of the basic policy but wanted to find an alternative option for affected policyholders.

On how the withdrawal of the policy had been communicated to Miss M, Red Sands agreed they could have done more by sending a letter by post to make her aware of the withdrawal. They had an email address for Miss M but weren't told it was no longer in use. Red Sands said they would be able to offer cover for Miss M from the date her policy was cancelled (2 June 2023) as she would have been notified in the email they sent on 16 June 2023 (had she received it). They could discuss alternative policy options should she contact them.

Miss M then complained to this Service, saying she hadn't been told her policy was being cancelled, which meant her cat wasn't covered when it fell ill and needed treatment. While she accepted she'd changed her email account, she thought Red Sands could have

informed her by letter they were cancelling her policy. She'd incurred the cost of treating her cat and had to borrow from family to pay the bill. She had been stressed by what happened, at a difficult personal time. She also noted what Red Sands said in their final response that they could have written to her and sending an email on 16 June telling her the policy had been cancelled from 2 June. She wanted compensation for what happened.

Our investigator didn't uphold the complaint, concluding Red Sands acted fairly and didn't need to take any further action. He thought it was a business decision for Red Sands to withdraw the basic policy and fair in the circumstances. Red Sands provided correspondence to Miss M before the policy was cancelled, advising her of its withdrawal. But as Miss M had changed her email account, she didn't receive the emails. Red Sands used the email address provided by Miss M and weren't told about the change of account (or received a notification of non-delivery). In offering to allow Miss M to continue cover from the date of cancellation, he thought Red Sands acted fairly.

Miss M disagreed with the investigator's conclusions and requested an ombudsman review the complaint. She accepted her email account wasn't up to date but noted what Red Sands said about sending her a letter. On the offer of continuing cover through an alternative policy with Red Sands, as she felt let down by what had happened, she'd taken out a policy with another insurer. She thought Red Sands should pay at least half the £1,300 cost of treatment she'd incurred for her cat.

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'd first want to express my sympathies to Miss M for the loss of her cat, which I know will have been upsetting. In considering the complaint I've also noted what Miss M has said about her personal circumstances at the time of the events in this case. My role here is to decide whether Red Sands have acted fairly towards Miss M.

The key issue in Miss M's complaint is whether Red Sands acted fairly in cancelling her basic policy, having decided to withdraw the particular product from the market. Miss M says she wasn't aware her policy had been cancelled until the regular monthly payment of premium wasn't collected from her bank account. She accepts she'd changed her email account, so didn't receive an email from Red Sands informing her of the cancellation. Red Sands say they withdrew the policy product from the market. They say they weren't aware of Miss M's change of email account but acknowledge they could have written to her to notify her of the withdrawal of the policy.

Looking at the sequence of events, it was Red Sands decision to withdraw the basic policy from the market, as they felt the policy limit of £500 was no longer sufficient given the increase in vet fees in recent years. It's for insurers to decide what policies to offer to the market, including their terms and conditions and whether to offer them at all. Ultimately that's a commercial and operational decision for an insurer, it isn't for this Service to tell insurers what products and policies they should offer.

Having said this, it's important that insurers tell policyholders in good time where they decide to withdraw a product or policy from the market. In this case, Miss M first took out her policy with effect from 2 June 2014. Having subsequently renewed it each year up to and including renewal from June 2022, this means the policy was due for renewal on 2 June 2023.

In their business file to this Service as part of our investigation of the complaint, Red Sands provided copies of the text of emails they say were sent to her on 20 April 2023 and 5 May 2023, in which they gave notice they had decided to close (withdraw) the basic policy. The

text of the emails refer to the increase in vet fees, with the average claim for vet fees being £848 (compared to the basic policy limit of £500). The emails note Miss M's policy was due to end (what would ordinarily be the renewal date) on 2 June 2023 and the policy could not be renewed. Miss M is invited to contact Red Sands to discuss her circumstances and the options that might be available (such as alternative policies) together with a link to an information booklet explaining the different types of policy offered by Red Sands.

Red Sands say they sent the emails to the email address provided by Miss M. But they weren't aware Miss M had changed her email account (so didn't receive the emails) and they didn't receive any notification the emails could not be delivered.

As Miss M accepts she changed her email account but didn't tell Red Sands, I can't hold them responsible for her not receiving the emails and therefore not being aware of the withdrawal of the basic policy and that it was cancelled (wasn't renewed) from 2 June 2023. Red Sands say they didn't receive a non-delivery notification, so wouldn't have been aware Miss M hadn't received the emails. Had she informed Red Sands of the change of email address, she would have received the emails and been aware of the withdrawal of the basic policy and that she would need to consider alternative cover (either from the other policies offered by Red Sands, or from another insurer).

As Miss M didn't tell Red Sands about the change of email account, then I can't reasonably hold Red Sands responsible for her not being aware the basic policy was being withdrawn and that consequently her policy would not renew on 2 June 2023. I recognise it could have been possible for Red Sands to write to Miss M by post, but as they neither received a non-delivery message or heard from Miss M, they wouldn't have reasonably known the emails hadn't been received. And the correspondence on 16 June 2023 would have been confirmation of the cancellation that had occurred on 2 June 2023.

While I don't think Red Sands can reasonably be held responsible for Miss M being unaware of the withdrawal of the basic policy and the cancellation of her policy, I've considered Red Sands offer for cover to continue from 2 June 2023, should she contact them and take out a new policy. I think that's reasonable and would have put Miss M in the position of having a policy in place to ensure no gap in coverage on the cancellation of her basic policy. That would also have meant she would have been able to make a claim for the cost of treatment of her cat, putting her in potentially the same position had her basic policy not been withdrawn and her policy cancelled. Which would have also had the effect of avoiding (or mitigating) the cost of treatment – though this would have depended on the assessment of a claim under any new policy and its terms and conditions (which may have differed from her basic policy).

Taking all these points together, I can't conclude Red Sands acted unfairly towards Miss M, so I won't be asking them to take any further action.

My final decision

For the reasons set out above, my final decision is that I don't uphold Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 10 September 2024.

Paul King
Ombudsman