

The complaint

Mr J complains that U K Insurance Limited trading as Churchill Car Insurance (“UKI”) said he was in default following the cancellation of his car insurance policy, and it’s had an impact on his credit rating.

What happened

Mr J had a car insurance policy with UKI in 2020-21. He made a fault claim under his policy.

In August 2021 he cancelled his policy online. He subsequently moved overseas.

When he cancelled the policy, UKI sent correspondence to an online portal about the amount he owed for the outstanding balance of his premium. It also wrote to him. Mr J apparently cancelled his policy online. UKI had no record that it’d spoken to him at the time, or that any of its staff had accessed Mr J’s account.

His mother, who was named on the policy and whose payment details were being used to pay for the policy, contacted UKI and asked if she could pay instalments towards Mr J’s debt.

Ultimately, Mr J’s account was placed into default by UKI.

Mr J complained to UKI. UKI said it would pay £50 compensation as it hadn’t given him a reference number for his complaint. But it thought it’d acted in line with the policy wording and credit agreement.

Mr J remained unhappy and brought his complaint to this service. He said UKI’s actions had a significant impact on his credit rating. He said he thought it hadn’t communicated effectively with him or his mother about the debt and hadn’t proactively taken action when she’d offered to pay instalments.

Our investigator looked into Mr J’s complaint and didn’t uphold it. He said he thought UKI had acted fairly and in line with the agreements between it and him.

Mr J asked that his complaint was reviewed by an ombudsman, so it’s been passed to me to make 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.

Having read the file, I’m not upholding Mr J’s complaint, and I’ll explain why.

I can see from the file that Mr J discovered problems with his credit rating in 2024 when he found UKI had placed a default marker on him.

Under the terms of his insurance policy with it, Mr J was responsible for paying the

remaining balance of his premium:

“If your insurance is cancelled in accordance with the terms of your insurance policy a balance may be due to us which is payable upon demand. If a claim has arisen in the current period of insurance cover then the balance of the year's premium shall become immediately payable”

This type of wording is common in the insurance marketplace and I think its use here is fair.

Because UKI had paid a claim under his policy, Mr J had “used” his policy and therefore needed to pay the remainder of his premium.

I can see Mr J was given the terms and conditions of his credit agreement with UKI. This says:

“If any [monthly] payments are missed and you don't pay any outstanding premium due under the agreement, we may cancel your policy. It may make obtaining credit more difficult in the future as we may report non-payment to credit reference agencies (which most lenders consult when assessing any borrowing application) and this may adversely affect your credit rating. If the repayments under your credit agreement are paid by someone else and they miss a payment, it will be your credit rating that may be adversely affected, not their credit rating.”

The credit agreement also says:

“If you are having trouble paying your Loan we will give you reasonable time to repay what is owed. If we cannot come to an acceptable agreement in this respect we may obtain a judgment (decree in Scotland) from the court, known as CCJs and this would be recorded in your credit report”

I've looked at the various terms of the policy and credit agreement and I think they are fair and explain to Mr J the consequences of missed payments.

In the file I can see various pieces of correspondence UKI sent to Mr J in late August 2021 and into September. UKI has also shown that the portal with this correspondence on was accessed in late August after it had written to him telling him he owed the balance.

There's a letter about the cancellation which says UKI will try to take the final payment via direct debit, and another telling him about actions it may take to recover the money owed.

This information on the portal was followed by letters sent to Mr J stating similar things.

I think UKI made it clear to Mr J that it would attempt to collect the remaining premium and the consequences of his failure to pay the outstanding amount.

Mr J has also told this service about letters to him being received by his mother, who took delivery of them and told him about the contents. She then called UKI to find out whether she could pay the amount by instalments. Mr J has said she was told that money he owed wasn't going to be chased up, and that the letters UKI sent were designed to get a response from its policyholders.

But having listened to the calls, I'm afraid I don't agree. UKI's call handler deals with the matter by saying the debt wouldn't be dealt with by sending recovery agents, but it doesn't say the debt wouldn't be pursued.

There's a discussion about Mr J's mother paying by instalments, which needed her (or someone else on Mr J's behalf) calling to pay what they can, when they can. I'll also mention this period of time was when the country was being affected by Covid, meaning that defaults were likely becoming more common. The conversation between Mr J's mother and UKI's representative was relaxed and chatty. At the end of the conversation though, it's clear Mr J's mother asks that UKI stop sending letters, and that she is going to discuss the matter with him and see what he could afford to pay.

If Mr J didn't then make further payments to clear his debt, I can't fairly say that's UKI's fault.

Taking everything into account, I think UKI's terms and conditions are clear and fair and it told Mr J he needed to pay off the amount he owed. So I'm not upholding this complaint and I'm not going to ask UKI to do anything more.

My final decision

It's my final decision that I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 28 March 2025.

Richard Sowden
Ombudsman