

## **complaint**

Mr C has complained about Principal Insurance Limited's actions in connection with his motorcycle insurance policies.

In bringing this complaint Mr C's been helped by a friend. But for ease I'll refer to his friend's comments as being Mr C's.

## **background**

In June 2016 Mr C contacted Principal about insuring one of his bikes, which I'll refer to as S. Principal sold him a policy underwritten by an insurer I'll call E. In September 2016 Mr C rang Principal and asked if he could add another bike, which I'll call H, to his policy. Principal also insured that bike with E and sent Mr C his policy documents.

In December 2016 someone claiming to be Mr C rang Principal and insured another bike, which I'll call V. Principal insured V on a policy underwritten by an insurer I'll call A. In April 2017 the same individual called Principal again wanting to cancel the policy because they said they were getting rid of the bike. But Principal couldn't do that at that time and advised the caller to ring back the following week. I've seen no evidence the caller rang back about that policy.

In May 2017 Mr C's policy for S was coming up for renewal and he rang Principal. During that call Principal explained that S and H were both insured on their own separate policies. And it told Mr C the policy for H wouldn't be due for renewal until September 2017. Principal also referred to Mr C having a third policy for V. Mr C said he didn't own V or have that policy. Principal arranged for S to be insured by an underwriter which I'll call Z. Mr C rang Principal again in September 2017 to renew his policy for H. Principal insured H with a policy underwritten by A.

In October 2017, Mr C rang Principal again. He said A had written to him to tell him it had cancelled his policy for H as if it had never existed (known as voidance). A said that was because he hadn't told it he'd had previous policies cancelled by another insurer. Mr C said he didn't know anything about previously cancelled policies. During the conversation Principal again referred to Mr C having a policy covering V. And when Mr C told it he had no interest in V, Principal asked him to write to it to explain what had happened including that he didn't have any interest in V. I've seen no evidence Mr C sent Principal that letter.

In November 2017, Z asked Principal for proof of Mr C's no claims discount (NCD). Principal wrote to Mr C. It said that if he didn't provide proof of his NCD and his driving licence information it would cancel his policy for S. Mr C rang Principal. He said he'd sent that information by post the previous year and Principal hadn't returned it. Principal said it had previously received his driving licence information but hadn't received his NCD proof. It asked who his previous insurer was and said it would contact it to confirm the NCD. It also said Mr C would need to show it evidence he didn't have an interest in V. It said he should ring back the following week to discuss it. Mr C didn't ring back. Principal contacted Mr C's previous insurer but it said it couldn't confirm NCD over the phone. It told Principal that Mr C would need to contact it himself for NCD proof. In December 2017, as NCD proof hadn't been provided, Z cancelled the policy for S.

In May 2018 A wrote to Mr C. It confirmed it had cancelled Mr C's policy for H because it had learned of previous policies in his name being cancelled by an insurer in September and

October 2016. It said it had given Mr C details of how he could find out which insurer cancelled those policies and why. It confirmed that as Mr C wasn't to blame for the policy voidance it would remove the record of that from any external database.

Mr C brought his complaint about Principal to us. I issued a provisional decision on 13 November 2020. For ease I've copied my provisional findings below: I said:

*"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so it's likely I'll partly uphold it.*

*Principal is an insurance broker. So it sells policies and may help with their administration but it doesn't insure the bikes itself. That cover is provided by various insurers which underwrite specific policies Principal sells. And while Principal might occasionally take certain actions on behalf of those insurers, for example when cancelling a policy or sending out policy documents, it isn't responsible for the insurers' actions. So in this decision I will only comment on actions that Principal itself is responsible for and not for anything the insurers have done or actions Principal has taken on behalf of those insurers.*

*I should say that it's not for me to decide whether someone's acted fraudulently. But it seems to me that Mr C's problems have most likely arisen because someone has been impersonating him in order to insure their own bike(s) but using Mr C's name to do so. And when he brought his complaint to us Mr C had already identified that a family member had most likely impersonated him in order to secure a policy. In particular a policy for bike V, which Mr C says he's never owned. I entirely accept Mr C's evidence that he had no interest in insuring that bike himself.*

*When Mr C first complained to us he thought Principal had made a mistake when he'd asked to add H to his policy for S. He thought that rather than doing so, Principal had added H to the policy for V by mistake. But that's not the case. In fact at the time Mr C insured H for the first time through Principal, his family member hadn't yet insured V through Principal. And Principal set up an entirely new policy for H. So it's not the case that H was ever added to another policy and instead was always insured on its own policy.*

*I've listened to the call in which Principal set up the policy for V. And while I'm satisfied it's not Mr C ringing Principal, the caller knew all Mr C's relevant personal details, including for example that Mr C had been in an accident in 2015 that was his fault. That meant the caller could successfully complete the caller verification process, which is a set of questions insurers go through to try to ensure they're talking to the right person. So given the caller gave all of Mr C's personal details accurately, I don't think Principal could have known, at that time, the caller wasn't Mr C. It follows that I don't think it was unreasonable that it went ahead and set up the policy for V as the caller requested.*

*But I think Principal should have done more to investigate the matter sooner. Mr C told Principal in May 2017 he didn't own or insure V, even though Principal had a record of a policy in Mr C's name for that bike. But Principal didn't investigate the matter further at that time, nor did it pass that information on to the relevant insurer to investigate. I think it should have done so. And it's possible that investigation would have resulted in Principal identifying that Mr C had no interest in V and someone had impersonated him in order to secure insurance. But it didn't do so.*

*However, even if Principal had investigated the policy for V sooner I don't think that would have prevented the problems Mr C experienced. I'm aware that it's the record of previous policy cancellations that has made it extremely difficult for Mr C to be able to afford to insure his bikes. But I don't think those problems are related to the policy for V, which Principal placed with A. That's because when A voided the policy for H, it told Mr C it had learned about two previously cancelled policies, both of which were cancelled by an insurer in September and October 2016. That means those cancellations took place at least two months before Principal arranged insurance for V. So A didn't void Mr C's policy for H because of the policy Principal set up for V in December 2016. But instead it was the previous policy cancellations by a different insurer in September and October 2016 that led A to void the policy.*

*Mr C's said that an insurer hasn't ever cancelled one of his policies. And I find his evidence (prior to December 2017) persuasive. But there was a record on a shared insurance database of two policies in Mr C's name being cancelled in September and October 2016. So it seems likely that Mr C's family member - or someone else - had impersonated him in order to secure insurance previously. And that person has had at least two policies cancelled. But as those policies were in Mr C's name, that meant that - as far as insurers who accessed the shared database are concerned - it's Mr C who's had the policies cancelled, not his family member or someone else. And those cancellations have affected Mr C's insurance history. But I don't think that's because of anything that Principal did or didn't do. It follows that I don't think it's Principal's fault that A voided Mr C's policy for H.*

*Mr C's told us that the impact of having policies cancelled has been fairly devastating, as he hasn't been able to find other affordable insurance, hasn't been able to work and this has affected his health. I'm sorry to hear about Mr C's personal difficulties. But it seems to me that the majority of the problems Mr C has experienced haven't been caused by anything Principal have or haven't done but instead have been caused by the actions of his relative who impersonated him. As I've said above, from the evidence I've seen, it's most likely that Mr C's relative had already had policies in Mr C's name cancelled in 2016. And that was many months before Principal could have had any reason to suspect that there was any suspicious activity with Mr C's policies. So, I think it's been the questionable activities of Mr C's relative which has caused Mr C's difficulties to arise, rather than the actions of Principal.*

*Also Principal isn't responsible for the entries on the shared insurance database regarding Mr C's cancelled policies. And it seems likely that it's those entries which are having the most significant effect on Mr C's ability to find a policy to cover him. So I don't think Principal is to blame for the problems Mr C has experienced because he's struggled to find suitable insurance. And to address this Mr C will need to take the matter up with the insurer(s) that added the record of the cancellations to the shared insurance database.*

*That said I've seen that Principal was involved in the cancellation of the policy for S, underwritten by Z, when Z asked Principal to verify Mr C's NCD. And as this wasn't received the policy was cancelled. But when Principal was gathering that evidence for Z it spoke with Mr C. And it's Mr C's responsibility to provide proof of his NCD. He said he'd sent that proof to Principal when he first took out a policy for S in 2016. But Principal has no record of receiving NCD proof at that time. But, to help Mr C out, it told him it would contact his previous insurer in order to get that NCD proof. And in taking that action it was acting on Mr C's behalf. It did ring Mr C's previous insurer which told Principal it wouldn't give it NCD proof over the phone. It told Principal Mr C would need to contact it himself. But I can't see that Principal ever told Mr C he'd need to provide the NCD proof himself. And as a result his*

*policy with Z was cancelled and the cancellation letter sent to Mr C's home address. That might have been avoided if Principal had told Mr C to contact his previous insurer himself to get the NCD proof. So I don't think Principal dealt with Mr C fairly.*

*I've seen that Z paid a pro-rata refund of policy premium to Principal. But Principal offset that refund against the amount it would have charged Mr C to cancel the policy. So it didn't pass that refund on to Mr C. But as it's possible Mr C could have prevented the cancellation if Principal had told him he needed to provide the NCD proof himself I don't think it's fair he should have to pay those cancellation charges. So I think Principal should pay the refund of premium Z paid to it, to Mr C. And as he's been without that money for some time it should add simple interest to it from the date of cancellation to the date it refunds him.*

*Also as I think Principal's mistakes and oversight have been a source of distress and inconvenience for Mr C I think it should pay him compensation of £300. I know Mr C thinks, given the difficulties he's faced, that sum isn't enough. But as I've said above I don't believe Principal has been the cause of most of Mr C's difficulties. And I'm satisfied that £300 compensation is reasonable in the circumstances as it's in line with awards we make in other cases of similar seriousness.*

*I'm also aware that Mr C thinks Principal should confirm he had five years NCD entitlement. But I don't think that's appropriate. When Mr C took out his policy for S in 2016 he said he had three years' NCD. But Principal has no record of receiving proof of that NCD. So Principal can't confirm what NCD Mr C had before then. And this is something Mr C can approach his previous insurer for. Mr C did then hold a policy which Principal sold him until June 2017. So I think it would be reasonable for Principal to confirm that Mr C had gained a further year's NCD for that year. But he didn't gain a full years NCD after Z cancelled his policy. So I don't think Mr C has entitlement to five years' NCD."*

## **developments**

Mr C didn't agree with my provisional decision. He made a number of detailed comments. I don't intend to list all of those here instead; I will address what I see as the key issues relevant to my decision in my findings below.

## **my findings**

I've considered again all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so I don't intend to depart from my provisional conclusions.

Mr C's said he didn't initially realise that Principal had set up a separate policy for H as he'd asked it to add it to his existing policy for S. I accept that's the case, but I don't think this has any detrimental effect on Mr C. And the policy documents that Principal sent to Mr C only referred to the insurance cover for H, they didn't say H had been added to the policy for S. And they gave a start and end date for the policy based on when Mr C had asked for the cover for H to begin. So I think Principal gave Mr H enough information to show the policy was for H alone. And, as I've said above, I don't think having two separate policies rather than one policy for two bikes had any sort of harmful effect on Mr C's position. Indeed it meant he had the cover for H for around three months longer than he would have done had H been added to the policy for S. That's because the policy for H ran from September to September, rather than ending in June when the policy for S did.

Referring to his phone call with Principal in October 2017 Mr C said that he had no knowledge of the cancelled policy for V. He added that he can't recall Principal asking him for a letter to explain that. I entirely accept that Mr C was previously unaware his family member had taken out a policy in his name for V. But I've listened again to a recording of the October 2017 call. And in that Principal initially asked Mr C to send it an email to explain that he had no interest in V, so that Principal could pass that on to the relevant insurer. And Mr C asked if he could send a letter rather than an email, which Principal said was fine. It seems that the reason Principal was asking for this letter was in order for it and the relevant insurer(s) to be able to look into the matter fully. So I'm satisfied that Principal did ask Mr C for the letter I referred to in my provisional decision but Mr C didn't provide it.

Mr C's said I put "*unfair and unjust*" emphasis on the fact that Mr C didn't provide the letter referred to above. But I'm not sure how he's arrived at that conclusion. I've re-read my provisional decision and, while I referred to Mr C not sending the letter he'd agreed to send in the background to the complaint, I didn't refer to it at all in the reasons for my conclusions. And my finding was that Principal should have done more to deal with the matter. So I don't agree that I placed unfair or unjust emphasis on Mr C's omission to send a letter.

Mr C says he's adamant he sent Principal proof of his NCD when he took out the policy for S in 2016. But as I said in my provisional decision Principal has no record of receiving that NCD proof. It does have a record of receiving his driving licence information, and if it had received the NCD proof I would expect it to have some record of that. And it's not the case that every insurer will insist on verifying NCD in order to validate a policy. So it's not the case that Mr C couldn't have secured the policy with E without providing NCD proof.

And, as E didn't insist on seeing that NCD proof, Principal didn't chase it up with Mr C at that time. That meant, as it didn't have NCD proof on its file, Principal couldn't pass on something it didn't have, after Z asked to see that proof. And the reason Principal was asking Mr C again to submit the proof was because Z had asked to see it and Principal didn't have it. And, as it wasn't supplied, that led to Z cancelling Mr C's policy with it. Mr C's said he didn't know the policy had been cancelled. But I've seen that a policy cancellation letter was sent to his home address. So it's not clear why he wasn't aware of this. But I don't think it's because Principal did anything wrong.

Mr C also took issue with my provisional finding that even if Principal had investigated the policy for V sooner I didn't think that would have prevented the problems he experienced. He said he disagreed for two reasons. The first seems to be because Z also cancelled a policy, which Mr C thinks shouldn't have happened because he'd previously provided NCD proof. But as I've said above, Principal has no record of receiving that proof. Mr C's suggested that Principal might simply have mislaid this evidence. And while that is a possibility, if Principal had received it I would have expected it to have a record of that. But it doesn't. So, on balance, I don't think Mr C did send it. It follows that I don't think Principal needs to take any further action in that regard. If Mr C remains unhappy with Z's cancellation of that policy then this is something that he might wish to take up with Z.

Mr C also said that if Principal had investigated the potential fraud over the policy for V with more transparency, then the voidance would have been removed and Mr C wouldn't have found himself in the same position. But I don't believe that's the case. As I said in my provisional decision the voided policies that initially caused the problems for Mr C weren't arranged by Principal. But instead were two other policies, which the insurer voided in 2016 before Mr C's relative ever approached Principal for a policy for V. Principal had no part to play in the arrangement or voiding of those policies. And it was the voidance of those

policies that caused insurer A to void the policy for H, not because of the policy Principal had arranged for V.

Mr C added that if Principal had investigated the matter sooner then it could have been cleared up earlier. But while an earlier intervention might have resulted in A's policy for V being cancelled sooner I don't think an earlier intervention by Principal would have prevented the issues Mr C experienced. That's because, as I've said above, it was the voidance of the two other policies, which Principal had no involvement in, that caused the issue to arise. Further, I've seen that when A was looking into the matter, it wrote to Mr C, in May 2018 and advised him how he could discover what information was held on the shared database about the voidances, so he could identify who the relevant insurer was and take action to have the matter cleared up. But it doesn't appear that he took that action successfully at the time.

Mr C told us that, since I issued my provisional decision, he's contacted the insurer who voided the 2016 policies, and he's had a positive response to that contact. I understand he's also contacted the broker which arranged those policies. I'm pleased to hear Mr C has had a positive result and this might now put him into a better position. But this is action he could have taken in 2018 after A wrote to him. And it's not Principal's fault that he didn't take that action sooner. So I don't hold it responsible for many of the issues that Mr C has experienced in the meantime.

Mr C said Principal had a "duty of care" to act on potential fraud. But I think the issue here is that Principal simply didn't identify the potential fraud. And it didn't in any way suffer because of any "fraud". There was a possibility, had Mr C's relative made a claim on the policy for V, for A to suffer if it had had to settle a claim. So Principal should have passed any concerns about the validity of the policy for V on to A, which is why I've agreed that Principal didn't take enough action to address the matter promptly. But it remains the case that the reason that Mr C's found himself in the position that he has is mainly because his relative successfully impersonated him to secure insurance policies and those policies were then voided. And it's the impact of that action which has caused Mr C so many problems, not because of anything Principal did or didn't do.

### **my final decision**

For the reasons set out above I partly uphold this complaint. I require Principal Insurance Limited to:

- Pay Mr C the premium refund it received from Z for the policy cancelled in December 2017. It should add simple interest to that refund, at a rate of 8% a year, from the date of cancellation to the date it refunds him.
- Pay Mr C £300 compensation to address his distress and inconvenience arising from its mistakes.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 15 February 2021.

Joe Scott  
**ombudsman**