

complaint

Miss G complained that Markerstudy Insurance Company Limited cancelled her motorcycle insurance policy after settling her claim under it.

background

Miss G's motorcycle was stolen and recovered damaged. Markerstudy decided that it was uneconomical to repair. They paid her its market value less her policy excess. They also cancelled her policy. Miss G had only been insured with Markerstudy for about six months by then, but she had paid the full annual premium, and so she was unhappy that Markerstudy wouldn't refund her any of that premium. She was also unhappy that she'd had to take out new insurance elsewhere when she bought a new motorcycle.

Markerstudy said that Miss G's policy allowed them to cancel without refund, because they'd paid out on her claim and she'd had the benefit of the premium she paid. They also said that she hadn't asked them to put her new motorcycle on her policy with them. Her relative, Mr G, complained on her behalf to Markerstudy and then to us.

The investigator recommended that Miss G's complaint should be upheld. He thought that Markerstudy should pay her compensation for her inconvenience. Markerstudy didn't agree. Miss G didn't agree either. She felt that they should compensate her for her financial loss too. Her complaint was passed to me to decide and I issued my provisional decision on 11 October 2019, upholding the complaint.

my findings

I've considered all the available evidence and arguments again to decide what's fair and reasonable in the circumstances of this complaint. My provisional decision was in the following terms.

Having looked at Miss G's policy, I accept that Markerstudy were entitled to cancel Miss G's policy and not refund any of the premium. We don't think this is unfair, because a policyholder has agreed to pay the whole annual premium for their insurance. So if the insurer has settled a claim at some point during that year, the policyholder has received the benefit of the insurance they paid for.

However, as the investigator explained, in this Service's view, when an insurer settles a claim in these circumstances, we expect them to discuss with the policyholder the possibility of adding a replacement vehicle onto their policy. This is instead of cancelling the policy. We think that an insurer should allow that as long as the replacement vehicle also fits their underwriting criteria.

Instead Markerstudy cancelled Miss G's policy. This was in August but the policy wasn't due to expire until the following March. Markerstudy admit that they didn't mention to Miss G that she could continue with her policy and put a new motorcycle onto it. They said they didn't promote change of vehicle in the policy documents in these circumstances, but they would consider putting a new motorcycle on a policy if the policyholder asked them. But they said that Miss G hadn't asked them. They also said that by the time she complained to them, it was several months after they'd cancelled her policy, and by then it was too late for them to consider changing the motorcycle on the policy.

But I don't think it's reasonable to expect a consumer to know that they'd have to ask to replace a vehicle on their insurance. That's not something we'd expect a consumer to know, particularly a younger consumer like Miss G. We'd expect an insurer to make this suggestion themselves. So I don't think that Markerstudy acted reasonably there. Markerstudy have told us that that if Miss G had asked them, they would have insured her new motorcycle but on a third party fire and theft basis, for an additional premium of £25 plus an administrative charge of £25, and I think that's reasonable.

I see from Markerstudy's records that Miss G had told them that she intended to get a new motorcycle, so Markerstudy were aware of that. And she did buy a new motorcycle within a reasonable time. She's shown us that she bought her new motorcycle and insured it with a new insurer from about 1 October, on a third party fire and theft basis. Markerstudy had cancelled Miss G's policy in about August but it wasn't due to expire until the following March. This meant that Miss G had to pay twice for insurance from 1 October to the following 1 March when her Markerstudy policy would have expired had they not cancelled it. So I don't think that's fair. I don't think that Markerstudy acted reasonably in not mentioning to Miss G that she could have continued with their policy for the remaining policy period, and put her new motorcycle on that policy in place of the motorcycle that was written off. I'm satisfied that if Markerstudy had told Miss G about that option then, it's more likely than not that she would have taken it, rather than pay for insurance twice.

So I think she's out of pocket because of Markerstudy's actions. She's shown us evidence that she paid the premium for her new insurance policy from her own bank account and that the annual premium was £758.22 from 1 October. From that date there would have been about 5 months remaining on her Markerstudy policy if it had continued. The additional Markerstudy premium and charge on the policy to replace the motorcycle would have been £50. So I think that the fairest way for Markerstudy to recompense Miss G is for them to pay her 5/12ths of the new policy premium, less the £50 for the additional premium and charge she'd have paid for replacing the motorcycle on the policy. That equals £316, less £50, making a total of £266. I think Markerstudy should pay her that amount plus interest. I can also see that it must have been frustrating for Miss G when Markerstudy cancelled her policy and she had to take out a new one, then bring a complaint to Markerstudy, and then to us. So I also award her £75 compensation for the distress and inconvenience that caused her. And as I think that Markerstudy shouldn't have cancelled Miss G's policy, but should have allowed it to continue for her new motorcycle, I think that they should also remove that policy cancellation record from internal and external insurance databases.

Miss G accepted my provisional decision and Markerstudy did not reply. So I see no reason to depart from that decision.

my final decision

For the reasons, I've given above and in my provisional decision it's my final decision that I uphold this complaint. I require Markerstudy Insurance Company Limited to:

- pay Miss G £266, plus interest at 8% per annum from 1 March 2019 to the date they pay her, and
- pay Miss G £75 in compensation for her distress and inconvenience, and
- remove all record of Miss G's policy cancellation from internal and external insurance databases.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 27 December 2019.

Rosslyn Scott
ombudsman

Markerstudy must pay the compensation within 28 days of the date on which we tell them Miss G accepts my final decision. If they pay later than this, they must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

If Markerstudy consider that they are required by HM Revenue & Customs to withhold income tax from interest, they should tell Miss G how much they have taken off, and give her a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate