

complaint

Mr M complains Devitt Insurance Services Ltd (Devitt) has charged a whole year's premium for his motorcycle insurance even though the policy was cancelled within the first few months.

Mr M is being assisted by his father; I shall call him Mr M2.

background

Mr M had previously insured his moped through Devitt. When renewal came around, he didn't renew that policy but applied for a new policy, through an aggregator (comparison) site, also with Devitt.

It isn't clear whether it was Mr M or his father that applied for the policy. When the application was made, more than one year's No Claim Discount (NCD) was declared. Although Mr M's address was given for written correspondence, it was his father's e-mail address that was given for contact, and it was his father that paid the premiums on a monthly basis via a credit agreement.

Because Devitt's records suggested a different amount of NCD it wrote to Mr M asking for confirmation. It also tried calling him but without success. During this time, Devitt wrote to Mr M confirming the previous policy he held it with had lapsed, as it hadn't been renewed. Mr M2 cancelled his monthly direct debit as a result of this letter.

In October 2018, Devitt wrote to Mr M explaining that without evidence of the NCD the policy might be cancelled. But instead it decided to amend the policy taking into account that actual NCD that applied. This resulted in an increase in the premium as less No Claims meant less discount. Devitt wrote out to Mr M explaining what the new monthly payments would be.

In November direct debit payments were returned unpaid. And although Devitt wrote to Mr M about needing payment it didn't get any response. As a card had been associated with the policy, Devitt debited the annual premium. But this payment was charged back by his father believing the policy was no longer in place. Devitt wrote to Mr M about the outstanding premium but it got no response and so the policy was cancelled with effect from 13 December 2018.

On 27 December 2018, Devitt wrote to Mr M asking it to repay an outstanding balance of £155.20. This included charges because of missed payments, cancelled insurance and the time Mr M was on risk.

Mr M2 complained asking Devitt to stop harassing him and his son for the money as the policy was cancelled. It didn't uphold the complaint, explaining it needed to verify the NCD information it received. And although Devitt hadn't heard back from Mr M, it was able to establish that he had a previous policy with it so it was able to reduce the NCD to one year, leading to an additional premium being due. It explained the policy was cancelled due to non-payment of premiums and the outstanding balance was still due.

Mr M referred the matter to our service with his father's assistance. Our investigator concluded Devitt hadn't done anything wrong as it was reasonable for it to verify the NCD

information. She explained it couldn't be held responsible if the contact details provided during the application were for Mr M2. The investigator didn't think Devitt could be held responsible if Mr M didn't tell his father that the policy was still in place (albeit with a higher premium) but payments weren't being made either. She also concluded Mr M and his father were liable for the outstanding balance.

Mr M2 disagreed, explaining he cancelled the direct debit because Devitt informed him the policy was cancelled. Our investigator explained the email he received from Devitt was regarding Mr M's previous policy lapsing. The investigator also explained the outstanding balance was made up of premiums for the duration Mr M was covered, plus administration charges for the failed direct debit and a cancellation fee.

Mr M2 still disagreed, maintaining he was acting on Devitt's instruction in its email. He told her he didn't mind paying the cancellation fee and a proportion of the premium for the period Mr M was covered. But he didn't think it was fair to pay a whole year's premium. Our investigator explained Devitt wasn't charging a whole year's premium. But Mr M2 still didn't agree and asked for an ombudsman to make a decision on the matter.

my findings

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, I don't uphold it. I explain why.

As I understand it, Mr M and his father accept a cancellation fee is due along with the proportionate premium for the time on risk. It's the make-up of the remaining balance they don't agree with. So what I'm being asked to consider here is whether it's fair for Devitt to ask Mr M and his father to pay the rest of the outstanding balance.

For sake of completeness, I'm satisfied incorrect information regarding the NCD was declared when the policy was taken out. I don't find it unreasonable that Devitt wanted to see proof of this. I'm also satisfied Devitt sent several letters directly to Mr M to inform him of the situation both with the NCD and the arrears on the account. So I'm satisfied Mr M was given sufficient opportunity to provide the information Devitt had requested and rectify the account.

I appreciate Mr M2 only cancelled the direct debit as Mr M had been sent a letter about the policy lapsing. But as has been pointed out, this related to Mr M's previous policy. I don't think I could find Devitt fairly at fault for Mr M2 mistaking what policy the letter applied to or that Mr M and his father weren't in contact so neither discussed with the other what was happening.

Turning now to the outstanding balance, Devitt has provided information of how it has been calculated which I have set out below –

<u>Debits</u>		<u>Credits</u>	
Insurer premium	£177.70	Discount applied at new business	£15.67
Interest	£24.52	Deposit paid	£24.28
Fee to correct NCD	£30.00	Discount applied for reducing NCD	£4.66
Insurer charge for reducing NCD	£52.85	Insurer return (<i>time not on risk</i>)	£152.17
(<i>additional premium</i>)		Pro-rata credit of interest	£34.50

Interest to add this to direct debit <i>(additional interest on finance)</i>	£12.96		
Missed direct debit fee	£25.00		
Cancellation fee	£50.00		
Reclaim of discounts allowed	£13.42		
Write off of balance	£0.03		
Total	£386.48	Total	£231.28
Total due	£386.48 - £231.28 = £155.20		

The *'terms of business'* included in the documentation Devitt sent Mr M following the purchase of the policy set out applicable fees and charges. I can see there is a £50 cancellation charge. There's also a £25 direct debit default charge and a £30 mid-term changes charge. Such charges aren't unusual and I'm satisfied they've been applied in line with the terms. Some of the initial discount applied was reclaimed – I don't think that's unreasonable as the initial premium was calculated using an incorrect NCD. The breakdown also shows Mr M isn't being charged a full year's premium.

In conclusion, I'm not persuaded Devitt is acting unfairly or unreasonably when seeking repayment of the amount owed.

my final decision

For the reasons given above, my decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 17 August 2019.

Claire Hopkins
ombudsman