

complaint

Mr F complained that MCE Insurance Company Limited didn't cancel his motorcycle insurance policy when he wanted them to.

background

Mr F was in an accident when he was hit by a car. He was injured and his motorcycle was damaged. He reported the accident to MCE. He wanted them to compensate him. He also complained that MCE didn't cancel his insurance when he wanted them to and continued to collect his premiums even though he couldn't use his motorcycle.

MCE said that Mr F's policy with them was a third party, fire and theft motorcycle insurance policy with them. So they didn't insure him for the matters he wanted to claim for. But they referred him to solicitors so that he could claim for them against the other driver.

MCE accepted that they'd made some service failings, and paid him £200 in compensation for that. But they said that they had told Mr F he could cancel his policy, but he hadn't done so.

The investigator explained that the type of insurance Mr F had with MCE didn't cover his losses from the accident. But he recommended that Mr F's complaint about MCE not cancelling his policy should be upheld. He thought that MCE should have cancelled his policy from the date Mr F first enquired about it, and that they should refund his contributions from that date plus interest.

MCE didn't agree and so the case has been passed to me to decide.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr F wanted MCE to pay for the repairs to his motorcycle, and compensate him for his uninsured losses arising from his accident. But Mr F had a Third Party, Fire and Theft policy with MCE. This means that MCE insured him for other drivers making claims against him for injury to them or damage to their vehicles in an accident. But they didn't insure him for his injury or damage to his bike unless it was damaged by fire or was stolen. So when Mr F reported the accident, MCE referred him to solicitors to deal with any claim he might want to make against the other driver. MCE accepted that they hadn't made clear to Mr F that they wouldn't handle such claims and that the solicitors were separate from them. They offered him compensation of £200 for this and not clearly explaining about his cancellation options. Mr F accepted this compensation. The investigator has also explained to Mr F what type of policy he has with MCE, and so I won't comment on that any further.

However, Mr F also complained that MCE wouldn't let him cancel the policy. He said that his motorcycle wasn't driveable as it was being repaired. So he didn't want to have to continue paying the policy premiums under the payment plan he had with MCE. He says he tried twice to cancel but MCE wouldn't let him. But MCE say that Mr F only asked if it was possible to cancel his policy, but didn't say he wanted to cancel it. However they said he could still cancel it now, and backdate that to when his motorcycle was written off or sold, if he could prove that.

But I think that misses the point. As the investigator explained to MCE, an insurer is under a duty to ensure their customer is given enough information to make an informed decision. So I can look at whether MCE treated Mr F him fairly there.

I've listened to the recordings of the two calls Mr F had with MCE when he asked about cancelling his policy. I think it's clear from both calls that Mr F did want to cancel his policy, as he didn't want to continue paying for a policy when he couldn't use his motorcycle. But MCE didn't give him clear information on his options for that.

In one of the calls they did tell him he could cancel his policy but told him that there could be an outstanding balance as the status of the claim against him wasn't known then. They then referred him elsewhere quickly before explaining that adequately. MCE accepted in their final response letter that the call hadn't met their service expectations. I think they didn't fairly explain his options or appreciate that Mr F wanted to cancel his policy from the first of those two calls that he discussed it in. And so I don't think it's fair that Mr F's policy wasn't cancelled then.

MCE said that the other driver didn't ultimately make a claim against Mr F, and they closed their file. So I've looked at the policy terms to see what they say about cancellation when no claim has been made and the customer is paying through a payment Plan, as here. I agree with the investigator who said that the policy terms seem to contradict each other. They state that the customer wouldn't be entitled to a refund, and an outstanding balance may be payable. But they also say that the customer would only need to pay for the days they're covered for. I don't think that this is clear about what a customer can do when wanting to cancel a policy.

And so I agree that MCE haven't acted fairly and reasonably to Mr F regarding clearly explaining his options for cancelling his policy. And so I think that Mr F should pay only for the days that MCE provided cover up the date of the first call when he first mentioned cancelling his policy, and should refund to him the balance of premiums he paid after that, adding interest from the date of each payment he made. This should be in addition to the £200 MCE have already offered and paid Mr F.

my final decision

For the reasons I've given above, it's my final decision, that I partly uphold this complaint, in relation to the cancellation issue.

I require MCE Insurance Company Limited to do as follows:

- Refund to Mr F any payments that he has made for insurance over and above what he owed MCE for cover to the date of Mr F's first call to them in which he discussed cancelling his policy.
- Add interest at 8% per annum simple on each of such payment from the date he paid it to MCE until the date they refund it to him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 18 August 2019.

Rosslyn Scott
ombudsman

If MCE consider that they are required by HM Revenue & Customs to withhold income tax from any interest, they should tell Mr F how much they have taken off, and give Mr F a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.