

The complaint

Mr A complains about how much Sabre Insurance Company Limited (“Sabre”) refunded him when he cancelled his motorcycle insurance policy.

What happened

Mr A took out a motorcycle insurance policy with Sabre in August 2022. He paid the entire annual premium of £1,930.59, which included some additional products.

The policy was arranged through a broker, but this complaint is against Sabre.

On 3 September he was involved in an incident with a third party. Mr A contacted Sabre and told it about the incident. He asked that Sabre record it as ‘notification only’.

Mr A asked to cancel his policy 56 days after it incepted.

Sabre confirmed the claim had been closed as ‘non-fault’. It cancelled his policy and refunded him. Mr A wasn’t happy about the amount of the refund. Sabre said details of it were included in the policy wording which says:

“Your request to cancel outside the cooling off period and have paid in full

Unless a total loss claim has occurred, you will pay for:

- A percentage of the annual premium calculated as per the below table

- A minimum administration fee of £60

We will then refund any amount we owe you. If a claim has been made, either by you or a third party, we will not give you a refund.

No refunds will be given for any additional policy features added to the policy after inception.”

The table referred to states that a refund between months one and two from inception would be 62.5% of the annual premium.

Sabre waived its fee of £30. It said that the £60 referred to above was a broker fee.

Mr A remained unhappy and brought his complaint to this service. He says he has lost a significant amount of money and that Sabre has caused him a great deal of stress and inconvenience as he’s been chasing Sabre up regularly. He asks that he pays for one month of cover and that Sabre refund the remainder.

Our investigator looked into it. He asked Sabre to justify why it said there was more risk at the start of the policy, which might justify why it refunded a smaller part of the premium than what Mr A expected.

Sabre said it was up to it how it arranged its refunds. It said there was no regulatory requirement to refund on a pro-rata basis.

Our investigator upheld Mr A's complaint. He said Sabre should refund the premium on a pro-rata basis, plus interest at 8% simple on the difference between what it had already refunded, and the amount it should have refunded.

Mr A accepted the view, but Sabre didn't. So this complaint has 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 done up, I'm upholding it and I'll explain why.

Sabre's refund policy for when a customer cancels is detailed in its policy wording and I've included that in the section above.

When an insurer provides a refund that's less than pro-rata, it's this service's view that we'd expect it to be able to justify why it uses these rates, which are commonly referred to as short-period rates.

If Sabre charges short-period rates on a motorcycle insurance policy, we'd expect it to explain why the risk is not evenly spread. We'd try to understand how it calculated the risk which would help us understand why a customer would effectively be charged more for the initial cover – and consequently why its refund policy worked that way.

We asked Sabre for details of this. It replied that there were many factors in the decision to charge short-period rates, but it didn't provide the details we asked for.

It said that its refund criteria were included in the policy wording, which Mr A had a copy of. Because Mr A had this wording and had been able to read it and cancel during the cooling-off period, it said it had acted fairly. Sabre also said that:

“the exposure is greater within the early stages of the policy period.”

But it didn't supply any evidence to justify why.

As Sabre didn't provide the information we asked for, I am upholding Mr A's complaint. I don't think it's fair that Sabre applied short-period rates on Mr A's policy, so it's fair that I require it to refund him on a pro-rata basis. I also think Sabre should pay him interest on the shortfall.

My final decision

For the reasons set out above, my final decision is that I uphold this complaint. I direct Sabre Insurance Company Limited to refund Mr A's premium on a pro-rata basis from the date of cancellation.

It should also add interest at 8% simple on the difference between what it has already refunded and the pro-rata amount, from the date the initial refund was made to the date this final payment is made.

Sabre Insurance Company Limited must pay the amount within 28 days of the date on which

we tell it Mr A accepts my final decision. If it pays later than this, it must also pay interest on the amount from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 1 June 2023.

Richard Sowden
Ombudsman