

The complaint

Mr S complains about how his insurer, Ageas Insurance Limited (Ageas), handled his vehicle rescue policy.

References to Ageas in this decision include their agents.

What happened

In September 2023 Mr S took out a vehicle rescue policy with Ageas for one year, at a cost of £42.97. The next month Mr S changed his vehicle, which included six months' breakdown cover from the selling garage and a balance of manufacturer breakdown cover.

Given the cover from his new vehicle, Mr S asked Ageas to either cancel his policy with them and refund the premium or suspend cover until cover with his new vehicle expired in September 2024, at which point his cover with Ageas could resume.

Ageas said he could cancel the policy with them – but without a refund of the premium paid – or leave the policy cover in place (even though Mr S said he wouldn't use it as he had cover through his new vehicle).

Mr S wasn't happy with Ageas's position, so he complained. Ageas didn't uphold the complaint. In their final response they said Mr S's request to cancel the policy was made outside the 14 day cooling off period when he took out his policy. Ageas referred to the policy terms and conditions about cancellation, which stated a policy could be cancelled within 14 days with a refund of premium paid. But cancellation after the 14 day cooling off period wouldn't include refund of premium.

Ageas also said their call handler (when Mr S phoned Ageas to ask about cancellation or suspension of the policy) hadn't said Mr S could cancel the policy and reinstate it with any unused months of cover applied. The policy was provided on an annual basis with one premium payment and the policy terms and conditions made it clear the policy was for a period not exceeding twelve months. In recognition of Mrs S being reluctant to renew his policy, Ageas offered a 15% discount on subsequent renewal of the policy.

Mr S then complained to this Service. He was unhappy at what Ageas had said, meaning he'd paid a premium of £42.97 for cover he would never use. He said it was unfair for Ageas to decline to cancel his policy and refund the premiums or suspend cover under his policy until his new vehicle breakdown cover expired.

Our investigator initially upheld the complaint, concluding Ageas should cancel the policy from October 2023 and refund the premium paid on a pro rata basis for the unused period of cover. Ageas should also pay Mr S £100 compensation to reflect the distress and loss of expectation from Ageas not allowing him to cancel the policy with a refund of premium.

Ageas disagreed with the investigator's initial view. They said the policy terms and conditions and the IPID were clear about cancellation of a policy outside the cooling off period. They also referred to a previous decision from this Service which was in Ageas's

favour in similar circumstances to Mr S's case as well as other factors they thought supported their position, including legislative, regulatory and other requirements and guidance.

The investigator considered Ageas's representations and issued a second view, not upholding the complaint. He thought Ageas had provided evidence the premium charged for the policy included the cost of providing the [breakdown] cover and administration costs. And they didn't charge fees for a consumer cancelling the policy outside the cooling off period. So, it wasn't reasonable to say Ageas should provide a refund of premiums where a consumer seeks to cancel a policy in those circumstances. It also wouldn't be fair to ask Ageas to suspend cover, as they'd agreed to provide cover for a set period and their consideration of risk and premiums may have changed at the point cover would resume.

Mr S disagreed with the investigator's second view and asked that an ombudsman review the complaint. He'd wanted what he considered to be fair treatment from Ageas, to suspend their policy cover until the cover from his new vehicle expired. He didn't think this would have involved any cost to Ageas.

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.

My role here is to decide whether Ageas have acted fairly towards Mr S.

The key issue in Mr S's complaint is that he considers it unfair for Ageas not to refund his premium on his policy, as he no longer needed the cover after changing his vehicle a month after taking out the policy. As an alternative to cancelling the policy, he thinks Ageas should have suspended cover under the policy until the expiry of cover that came with his new vehicle. Ageas say their policy terms and conditions are clear that cancellation of a policy by the consumer after the 14 day cooling off period won't include a premium refund. They also point to legislative, regulatory and other requirements that don't require a refund of premium in those circumstances. They also say it wouldn't be reasonable to refund premiums given the administrative and other costs involved in so doing.

In considering the issues, I've first looked at the policy terms and conditions referred to by Ageas in their final response, Ageas refer to the following policy terms and conditions about cancellation of the policy:

"Cancellation Rights

This policy has a cooling off period of 14 days from the time you receive this information or your policy start date, whichever is the latter. If you do not wish to continue with the insurance, we will provide a refund of premium paid, providing no claim has been made.

You may cancel your policy after the 14 day cooling off period but no refund of premium is available."

Similar wording is also included within the Insurance Product Information Document (IPID). The policy terms and conditions about the duration of cover referred to by Ageas in their final response state:

"Period of Insurance

The duration of this policy as indicated on your policy schedule for a period not exceeding twelve months.”

Taking these statements together, I think the terms and conditions of the policy are clear that no refund of premium will be made after the 14 day cooling off period, and this was also highlighted in the IPID. I've seen nothing to indicate Mr S wasn't made aware of the policy terms and conditions when he took out the policy, so I think it reasonable to conclude he was aware of them and accepted them – had he not been, he had the option to cancel the policy within the 14 day cooling off period.

I've also considered it was Mr S's decision to change his vehicle shortly after he took out his policy with Ageas. I can understand why Mr S feels he has paid for a policy with Ageas under which cover is then duplicated by that which came with his new vehicle, meaning he has paid for cover with Ageas he no longer required after acquiring his new vehicle. But that was a decision made by Mr S, not by Ageas, so I don't think it places any obligation on Ageas to depart from their clearly stated terms and conditions about a refund of premium not being made after the cooling off period.

I've also looked carefully at the detailed representations they've made, and I'm persuaded they aren't unreasonable and so support their position of not providing a refund of premium after the cooling off period. Nor, from the evidence and information provided, is the practice uncommon amongst other insurers in this sector.

I've also considered Mr S's point about Ageas suspending cover under the policy and resuming it on the expiry of the cover that came with his vehicle. But I don't think it's reasonable to ask Ageas to do that. I say this because Ageas offered the policy to Mr S on the basis of a twelve month period of cover from the inception of the policy. Risk and other factors change over time, meaning Ageas wouldn't be matching the cost of the risk they were prepared to offer Mr S at the time he took out his policy with the cost of the risk nearly a year later, when the cost (the premium) could well be different.

Taking these points together, I've concluded Ageas haven't acted unfairly or unreasonably towards Mr S.

My final decision

For the reasons set out above, I don't uphold Mr S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 17 May 2024.

Paul King
Ombudsman