

The complaint

Mr C complains that West Bay Insurance Plc wants him to pay the balance of his premium for his motor insurance policy after he had arranged to cancel it.

What happened

Mr C called West Bay to arrange to cancel his policy after one month on cover as he'd found alternative cover. This was arranged to take place three days later when the new cover began. Mr C had made no claims so West Bay issued a pro rata refund of his premium. But Mr C had an accident a day before the new cover started. West Bay then asked him to reimburse the premium refund. But Mr C thought his policy excess should cover any costs.

Our Investigator didn't recommend that the complaint should be upheld. He thought the cancellation arrangements had been made clear to Mr C when he took out his policy. He thought that as a claim had been made then the full premium was due on cancellation. And he thought West Bay only learned of the claim after Mr C's policy had cancelled and his new cover had started. So it couldn't then reinstate the policy.

Mr C asked for an Ombudsman's review, so his complaint has come to me for 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.

I can understand that Mr C feels frustrated that he has been asked to pay his full year's premium after such a short time on cover. And I think it was very unfortunate that he had an accident just before his new cover started.

Our approach in cases like this is to consider whether the insurer's acted in line with the terms and conditions of the policy and fairly and reasonably.

I can see that when Mr C first took out his policy with West Bay it sent him a Welcome Pack. These gave him a link to his policy documents and recommended that he should read them. Mr C said he hadn't received these documents, but I can see that they were correctly sent. And I'm satisfied that it was for him to read the policy's terms and conditions to ensure it met his needs.

The policy cancellation arrangements are set out on page 35 of the policy booklet:

"Cancellation by you

You or your Insurance Intermediary can cancel this policy either from the date we are notified, in writing, or a later date as requested by you. Providing there have been no claims in the current period of insurance we will refund the premium relating to the remaining period of insurance calculated on a proportionate basis dependent on the number of days left to run

under the policy less an administration fee of no more than £50 plus Insurance Premium Tax if applicable to take into account our costs in providing your policy.”

So a refund of the unused premium would only be due on cancellation when no claims were made in the policy year. I think this is standard industry practice and I'm satisfied that this is clearly explained in the policy booklet.

Mr C arranged to cancel his old policy on the date his new policy started so that he remained on cover, as required by law. West Bay then asked him if he had made any claims, and he correctly said he hadn't. And so it issued him a pro rata refund of premium.

Unfortunately, Mr C had a fault claim a day before his new policy started and whilst he was still on cover with West Bay. So West Bay was responsible for any claim costs. And it was entitled to ask Mr C to reimburse his refund as the full year's premium was then due as the policy had been used. As a refund was only due if the policy had been unused, then I think this was in keeping with the policy's terms and conditions and fair and reasonable.

Mr C said he was willing to pay his policy excess instead of the reimbursement. But this isn't what his policy requires, and the policy excess is always payable as the first part of a claim in any case. So I don't think this would be fair or reasonable.

West Bay wasn't notified about the new claim until Mr C's new cover was in effect. So it couldn't then reinstate his policy. This was unfortunate, but I can't say it was due to any error caused by West Bay.

So I think West Bay has requested that Mr C pay his full year's premium fairly and reasonably and in keeping with the policy's terms and conditions. So I don't require it to do anything further.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 2 May 2024.

Phillip Berechree
Ombudsman