

The complaint

Mr M complains that Peppercorn Insurance Services Limited (Peppercorn) charged him a fee when he was left with no option but to cancel his car insurance policy.

What happened

Mr M had a car insurance policy purchased via Peppercorn. Prior to collecting a new car Mr M tried to change the vehicle on his policy. Peppercorn advised Mr M that they were unable to find the vehicle on their system and said he could contact them again nearer time of collection instead.

The day before collecting his new car Mr M again contacted Peppercorn to change the vehicle on his policy. However, Peppercorn were still unable to find the vehicle on their systems. As Mr M needed cover to be able to collect his new car, he cancelled the policy in order to arrange cover elsewhere.

After cancellation, Peppercorn said that Mr M had to pay £48.87. This was on the basis that only part of the cancellation fee had already been covered by the payments Mr M had already paid on the policy. Mr M paid the amount requested and raised a complaint with Peppercorn about the charge.

Peppercorn said that Mr M was given the option to wait until his vehicle appeared on their system, but instead, as he needed cover the following day, he chose to cancel the policy. And they said the fee charged for Mr M cancelling was in line with the policy terms.

As Mr M remained unhappy, he approached the Financial Ombudsman Service.

One of our investigators looked into things and upheld the complaint. She said that as Peppercorn was unable to change the vehicle, it left Mr M with no option but to cancel, so she said that Peppercorn should refund the £48.87 charged. The investigator also recommended Peppercorn pay a further £50 compensation as she said they had unfairly applied the cancellation fee.

Peppercorn didn't agree so the complaint was passed to me for a final decision.

I reached a slightly different outcome to our investigator. So, I issued a provisional decision to give both parties an opportunity to comment on my initial findings before I reached my final decision.

What I provisionally decided – and why

In my provisional decision, I said:

"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've reached a slightly different outcome to our investigator. Therefore, I'm issuing a provisional decision to give both parties an opportunity to comment on my initial findings before I reach my final decision.

I note Peppercorn's comments in which they've said that if they were told to waive the cancellation fee, which is in the terms of the policy, this would set a precedent enabling policyholders to cancel a policy without charge. However, to be clear here, I've considered Mr M's individual circumstances and the individual merits of his complaint when reaching my provisional decision on what is fair and reasonable in all the circumstances of this case. And although fees may be outlined in policy terms, I can direct these to be waived if I consider it fair and reasonable to do so, in all the circumstances of this specific case.

Mr M contacted Peppercorn to obtain a quote for changing the vehicle on his policy. This was around four days before he was due to collect the new car he had already purchased. However, Peppercorn advised at that stage they were unable to locate the vehicle on their system. Mr M was told he could either obtain a quote for a different vehicle, or try nearer to the time:

"...please bear in mind that the car I select will not be the exact model of yours and this will reflect on your policy documents. So alternatively, we can wait for the registration to complete and try again closer to the time?"

Mr M advised he was collecting the car in the three days and would try again the day before. I don't think this was unreasonable, as clearly getting a quote for a different vehicle that he wasn't buying wouldn't have been of value. The agent also said:

"Sure, hopefully the registration will be completed by then but if it isn't we're available on Fridays and Saturdays so you can always come through to us and we'll do a manual search."

So, Mr M went away from that initial interaction with the understanding that if the vehicle wasn't found on the system when he next contacted them, Peppercorn would be able to manually find it. Peppercorn has since said to this service that if the vehicle is not on the system, then there isn't much more they can do and they are unable to cover it. This is in contrast to the messaging Mr M was given during that initial interaction.

When Mr M then contacted Peppercorn the day before he was due to collect his new vehicle, he was told Peppercorn was unable to locate it on their system. He was told this couldn't be found, or a similar vehicle found, when manually searched for either.

The agent from Peppercorn said Mr M could ask the seller for 'drive-away' temporary insurance. But Mr M said he was concerned that Peppercorn couldn't find the vehicle as it had been available for a year, and the agent re-confirmed it wasn't on Peppercorn's system.

As Mr M needed permanent cover rather than temporary (such as exploring drive-away insurance at very short notice with the seller), he asked if he would be able to cancel the policy, and Peppercorn confirmed he could. Mr M asked about costs to do so, and Peppercorn said they couldn't confirm beyond the cancellation fee of £60 until it was actually cancelled, Mr M then agree to go ahead with cancellation. It was then he was asked for (and paid) an additional £48.87 to cover the remainder of the cancellation fee which hadn't already been covered by his payments to date on the policy.

Peppercorn maintains that as Mr M chose to cancel his policy, a cancellation fee is payable in line with the policy terms. They also say they aren't obligated to be able to arrange cover for every vehicle type and there are times when they can't, and they've used the example of a high performance, high value, prestige sports car being uninsurable.

I do recognise that Peppercorn isn't obliged to be able to provide cover for every available vehicle. But I don't think Peppercorn's example here is helpful, given Mr M was changing from a low power non-specialist standard car to another similar make and model, which is unlikely to have presented a significant material change of risk, like a high-performance sport car would.

Peppercorn also said that it can sometimes take time for a new vehicle to appear on their system. But whilst it was new, with a new registration, Mr M has explained (and made Peppercorn aware at the time) that the vehicle model had been available for over a year. Whilst I can't know for certain what systems or methods other insurers use in order to find vehicles when they provide cover, when Peppercorn was unable to change the vehicle due to their system constraints, Mr M was very easily able to obtain quotes via many other insurers, brokers and aggregators, and arranged a new policy immediately elsewhere. So, it's unclear to me why there would be such a significant delay here on Peppercorn systems which meant the vehicle was not able to be found manually.

Peppercorn say circumstances where they aren't able to provide cover are already accounted for in the policy terms and have referred to:

"You are required to immediately update us with any changes to the information you provided at the time you asked us to insure you. When you inform us of a change, we will tell you if this affects your policy, for example whether we are able to accept the change and if so, whether the change will result in revised terms and/or a change in premium being applied to your policy. In some cases, it may result in an immediate cancellation. There will also be an administration charge payable to Peppercorn for the cost of arranging and handling your policy. These details can be found in 'Your Agreement with Peppercorn'."

Whilst this term that Peppercorn referred to mentions changes may result in cancellation, it doesn't mention cancellation charges being applied if that is the case. Instead, it only refers to administration charges being applied for arranging and handling, without reference here to cancellation.

Having said that though, I do recognise the full policy terms have a specific section on cancellation. This outlines:

“Cancellation by you

We sincerely hope that you do not find cause to cancel your policy, but in the event you do, this section highlights what you need to do and what, if any, action may be taken.”

And after the cooling off period, which is the relevant time for point of cancellation here, it says:

“Should you decide to cancel your policy outside of the cooling off period, you will be charged proportionately for the time you have been on cover along with the fee outlined in ‘Your Agreement with Peppercorn’.”

However, whilst technically Mr M did choose to cancel the policy, it wasn't because he wanted to, or because the change of vehicle was too expensive in comparison to other insurance providers, but instead because had no option but to due to Peppercorn being unable to locate his vehicle due to their system limitations. So, in the traditional sense of Mr M choosing or deciding to cancel his policy, which is what the term appears to cater for, this isn't what happened here, and Mr M was effectively forced to cancel due to Peppercorn's system limitations in his circumstances.

So, looking at the terms, I accept Mr M did technically decide to cancel the policy. Therefore, by strict application of the policy terms, a £60 cancellation fee was payable. But, whilst I do take into account the policy terms, my remit also extends to what I consider to be fair and reasonable in all the circumstances of the specific case. And I don't think applying that full fee is fair here. However, in these specific circumstances, whilst I don't think its fair to charge the full cancellation fee, I don't think it would be fair to Peppercorn to waive the entire fee either, as the policy was cancelled, and they would have incurred costs in administration (albeit I note there is also a set-up fee of £25).

Part of the £60 fee (£11.13) had already been paid for in the amounts already paid for the policy, leaving an amount payable by Mr M totalling £48.87. So, given Mr M didn't want to cancel, and wanted to stay with Peppercorn, but had no option but to cancel, in these specific circumstances, for this specific case, I'm minded to conclude Peppercorn should reimburse the additional £48.87 Mr M paid after cancellation.

To be clear though, that's not because I think Peppercorn has made a mistake or error, or acted outside the strict application of the policy terms. And I might have taken a different view if Mr M chose to cancel based on him actually wanting to, such as the price being too much, or because, like Peppercorn used as an example, he purchased a high value prestige sports car which fundamentally changed things. Instead, it's because I think it's the fair and reasonable thing to do in all the circumstances of this specific case. And for this same reason, that Peppercorn didn't make an error or mistake, I don't intend on adding interest to that reimbursement amount, as Mr M technically wasn't deprived of funds he otherwise should have had by strictly applying the policy terms.

Our investigator said that Peppercorn should also pay a further £50 compensation. But as I've explained, Peppercorn strictly applied the terms and conditions, which meant a cancellation fee was payable. Contractually, that's not wrong or an error by them, and instead I don't think it's fair and reasonable to apply this in these specific circumstances, which is a different position. And as there hasn't been an error or mistake by Peppercorn, unless anything changes as a result of the responses to my provisional decision, I don't intend on directing Peppercorn to pay compensation in addition to reimbursing the £48.87."

So, I was minded to uphold the complaint in part and to direct Peppercorn to reimburse Mr M £48.87.

The responses to my provisional decision

Peppercorn responded and said they accepted the provisional decision and had nothing further to add.

Mr M also responded accepting the provisional 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.

And I've thought carefully about the provisional decision I reached. As neither party has provided anything in response to my provisional decision that would lead me to reach a different conclusion, my final decision remains the same as my provisional decision, and for the same reasons.

My final decision

It's my final decision that I uphold this complaint in part and direct Peppercorn Insurance Services Limited to:

- Reimburse Mr M £48.87

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

Callum Milne
Ombudsman