

complaint

Mr P complains that Europa Group Limited shouldn't have cancelled his motorcycle insurance policy and that the charges it calculated on cancellation were excessive.

background

Mr P took the policy out in October 2017 and also paid for 'add-on' policies. In April 2018 he changed the bike covered on the main policy. That meant an increase in the premium, plus a £50 mid-term amendment charge. As Mr P was paying the premium in instalments, he had an arrangement with a finance company ("firm A") through Europa.

On 30 May 2018 firm A told Mr P his payment for May 2018 had been missed. It said it would try to collect it again on 11 June 2018. But the next day Europa told Mr P his policy would be cancelled on 14 June 2018 due to an urgent issue with his credit agreement. Firm A then extended the payment period to 20 June 2018. But Europa wrote to Mr P the day before that to say the policy had been cancelled on 18 June 2018.

Europa said its terms of business (agreed to by Mr P when he bought the policy online) made it clear a policy would be cancelled if a premium payment wasn't made on time. It said firm A had sent it a report of all credit accounts that were in arrears. It based the cancellation on that. It thought the charges it made on cancellation were fair.

One of our investigators considered Mr P's complaint. She thought Europa should have warned him before starting the cancellation process. And she thought it acted to cancel the policy too early. Firm A was content to sort out the missing payment with Mr P and he was prepared to pay before the date set by firm A. The investigator said the cancellation fee should be waived and Mr P should only be charged for time on cover on the main policy. She said Mr P had faced stress as a result of Europa appointing debt collectors, so she thought it would be fair for it to pay him £200 compensation.

Europa didn't think the investigator should have considered the agreement between Mr P and firm A, as Europa's actions were based on its own terms of business. Europa said it gave reasonable notice to Mr P of the cancellation and followed the process correctly. It said the add-on policies, the arrangement fee, the price comparison fee and the mid-term amendment fee shouldn't be calculated pro-rata, as the investigator had proposed.

As there was no agreement, the complaint was passed to me for review. I issued a provisional decision as follows:

First of all, I appreciate that Europa doesn't think firm A's actions should be considered in relation to this complaint, as the cancellation involves Mr P and Europa only. But I don't think it's possible to consider the complaint fairly without taking them into account.

There's no doubt that Mr P agreed to Europa's terms of business, but I don't think some of the wording used in it was clear enough. The document says Europa reserves the right to cancel the policy if a premium payment isn't made by a due date. It says if details from the finance company show a payment hasn't been made that may lead to a cancellation. I think that implies that Europa won't always cancel a policy in these circumstances.

I think using discretion and taking particular circumstances into account is a fair and reasonable way to act. But when we asked Europa about its process, it said a cancellation

notice is issued if it's notified of a payment default. So it seems one is always issued, which I don't think is likely to be fair and reasonable in all circumstances. Europa said if payments are brought up to date within the cancellation notice period, the process is stopped. But that wasn't stated in Mr P's cancellation notice.

At the time Europa issued the cancellation notice on 31 May 2018, Mr P had just been told by firm A that a payment on 11 June 2018 would resolve the problem. Firm A wasn't able to take the payment that day, but it then said payment by 20 June 2018 would suffice.

Europa's cancellation letter said the problem was an issue with the credit agreement between Mr P and firm A. Mr P knew what that was, but he'd just been told by firm A that it was happy to allow a late payment on the credit agreement. So I don't think it was unreasonable for him to think that overrode what seemed to be a standard letter from Europa. I think many consumers would have been as confused as Mr P was and would have reached the same conclusion.

In my opinion, Europa acted too early in issuing a cancellation notice, especially without any reference to firm A. Mr P could have made a payment to firm A at any point before the cancellation took effect. As a cancellation is a very serious matter for a consumer, it doesn't seem fair that he was put in this position when firm A was content to accept a late payment. So I don't think Europa acted fairly and reasonably in the circumstances here.

Mr P's unhappy with the sum Europa says he owes. He thinks he's been charged for the full year's insurance, despite not having cover for the full year. But the charges are made up of different elements, most of which I think are reasonable.

I think it was fair for Mr P to be charged for the time he had on cover with the insurer (£74.75). The five add-on policies he bought cost £106.99 for the year. Europa says they're all non-refundable, as set out in its terms of business. We think add-on policies should sometimes be refunded. But in this case, Mr P agreed to them not being refundable, and he also had the benefit of them for around eight months. That means any refund would only be around a third of the premium for each of the five policies. The administrative cost of sorting that out is likely to exceed any refund due. So I think it's fair to charge for them. I also think it's reasonable for Europa to say its arrangement fee of £20 and the price comparison charge of £25 should be paid. Those charges were set out in its terms of business. The costs were incurred by Europa in setting up the policy – and Mr P agreed to them.

I think its fair for it to charge for the mid-term amendment as well. Europa did the work for that and Mr P agreed to the charge. The credit agreement charges set out by Europa were made by firm A. I think Europa should waive its cancellation charge, as I don't think the cancellation was fair. I also think it should send Mr P a letter stating that the policy was cancelled in error, so he can use it to try to ensure his future premiums aren't affected.

As far as I can see, without the cancellation charge, the sum due from Mr P is still £137.09. Europa says a further £19.77 is owed. It says Mr P made an extra payment of £42.49 in error for the premium payment due in March 2018 – which firm A refunded. It says Mr P then 'clawed back' the payment he made in April 2018, which leaves a further £19.77 due. We asked for an explanation of that figure, but I don't think the one Europa gave us was clear. Without a clear explanation, I don't think Mr P should be required to pay the £19.17.

I think Mr P has faced a fair amount of distress and inconvenience as a result of having the policy cancelled, in circumstances that were very confusing to him. Europa instructed debt

collectors (in line with its terms of business). That was especially difficult for Mr P to deal with – and it wouldn't have happened but for the cancellation. As I don't think the cancellation was reasonable, neither was what followed. Taking everything into account, I think it would be fair and reasonable for Europa to pay Mr P £250 compensation for distress and inconvenience.

I asked the parties to comment on my provisional findings. Mr P accepted them. Europa said its communications with Mr P were clear and it made no errors in cancelling the policy. It didn't think it should be blamed for any concerns about firm A's communications with him. And it said the £19.77 was a charge made by firm A to it which it passed on to Mr P.

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 P's arrangement with firm A was through Europa. He was told Europa and firm A were in contact about defaults in finance payments. The policy was cancelled due to a late payment - but without further reference to firm A. Meanwhile, firm A had given Mr P an extension to make the payment. I still think an average consumer would have thought the cancellation wouldn't then go ahead. In Mr P's case, making the payment in line with firm A's extension would have sorted out the issue with the credit agreement. So I think it was reasonable for him to assume the cancellation wouldn't go ahead if he did that. I don't think Europa acted reasonably in cancelling the policy in these circumstances. Europa has clarified that the £19.77 charge was made by firm A, so I think it was reasonable for Europa to pass that on to Mr P.

my final decision

My final decision is that I uphold this complaint. I require Europa Group Limited to do the following:

- Waive the £50 cancellation charge
- Write to Mr P stating that the policy was cancelled in error and remove any record of the cancellation
- Pay Mr P £250 compensation for distress and inconvenience

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 1 May 2020.

Susan Ewins
ombudsman