

complaint

Mr D's complained that Europa Group Limited cancelled his motorcycle insurance policy without his agreement and its cancellation fee was too high.

background

Mr D bought his motorcycle policy through a comparison website in April 2016. His yearly premium was £68.85 and he repaid this in monthly instalments. He contacted the broker, Europa in July 2016 to cancel his policy. Europa said he'd need to pay its cancellation fee of £75 along with its £10 set up fee. So Mr D owed a balance of £36.56. Europa asked Mr D to confirm he accepted the balance was due before it cancelled his policy.

Mr D didn't accept and told Europa its fee was unreasonable. Three days later, Mr D told Europa he'd sold his moped. So Europa said it would need to cancel his policy anyway as he no longer owned the insured vehicle.

Europa reduced its cancellation fee to £42.34 when the insurer refunded part of Mr D's premium. But Mr D remained unhappy, so he complained to Europa. He didn't believe it had explained its fees properly. He wanted to leave the policy in place as this was cheaper than cancelling it. He said he didn't give Europa permission to cancel the policy.

But Europa said it had cancelled his policy fairly as Mr D had sold his moped. And it explained its fees to Mr D under its terms and conditions, so it didn't uphold his complaint.

Mr D remained unhappy, so he brought his complaint to us. The adjudicator who investigated it didn't recommend it should be upheld. He felt Europa had set out its charges which Mr D agreed to when he bought the policy. And it had reduced the cancellation fee from £75 to £42.34. As it knew Mr D had sold his moped, it was entitled to cancel the policy as it was being driven by somebody else.

Mr D didn't agree. He said the crux of his complaint is that Europa cancelled his policy –so it shouldn't charge him a cancellation fee.

So the matter has been passed to me to decide.

my findings

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 don't intend to uphold it.

When Mr D bought his policy online, he ticked a box to say he agreed to the terms and conditions set out by the broker and insurer. Europa set out all of its fees for setting up, changing and cancelling the policy to Mr D. Mr D doesn't dispute he received this.

Provided an insurer or broker has explained its costs - and they're within a reasonable range (between £50 and £75), we don't think it's unreasonable to charge a cancellation fee. Understandably there are some costs involved in cancelling a policy.

Europa explained its cancellation fee was made up of two parts: a £25 fee for using the comparison website, and the broker's £50 cancellation fee. So this came to £75 in total.

However, Europa later reduced this fee by £32.57 as it said its fees were disproportionately high compared to the costs of the policy. I think this was fair.

Mr D's insurance cover was on the basis he was the owner of the moped it insured. So once Europa knew Mr D had sold his moped, it acted correctly in cancelling the policy. It wasn't for Mr D to decide to continue the policy. The insurer might have been at risk for the costs of a claim which the new owner was involved in. This isn't a risk the insurer agreed to when Mr D bought his policy.

Mr D was unhappy when Europa said it would pass the outstanding balance to a debt collection agency if he didn't pay it in seven days. I can understand this might be upsetting. But as I think Europa fairly applied its cancellation fee, it was entitled to pass the debt to an agency if Mr D didn't pay what he owed it.

Taking everything into account, I think Europa dealt with Mr D in a fair and reasonable way. When Mr D brought his complaint to us, he said he was happy to pay a fair termination cost. I think he's done this. So I'm not upholding his complaint.

my final decision

For the reasons I've 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 D to accept or reject my decision before 13 October 2016.

Geraldine Newbold
ombudsman