

complaint

Mr K has complained that Carole Nash Insurance Consultants Ltd required him to pay a cancellation charge plus some further premium when he cancelled his motorcycle policy before the end of the policy year.

background

Mr K believes the cancellation charge is a penalty, as since he sold his motorbike he consequently had to cancel his policy.

Carole Nash said that as Mr K paid his premium by instalments there is still some premium owing due to Mr K's time on risk. It also said its cancellation charge was clearly laid out in its terms of business and is a standard industry term when a policy is cancelled mid-term.

Mr K remained unhappy and brought his case to us. The investigator didn't think Carole Nash had done anything wrong. Mr K didn't agree so his complaint 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'm not upholding this complaint. I'll now explain why.

This service doesn't regulate how insurers and brokers like Carole Nash operate. That's for the Financial Conduct Authority (FCA) to do. And essentially cancellation fees and paying premium by instalments is permitted by the FCA. Our remit consequently is to ensure the cancellation charges were brought to Mr K's attention before deciding to buy the policy and that he wasn't singled out and treated differently to anyone else in the same circumstances.

Here as fully detailed by the investigator, the £50 cancellation charge was clearly detailed in the terms of business by Carole Nash which was available to view before Mr K bought his policy. I consider that's appropriate.

The investigator asked Carole Nash to justify the amount of £50. It said in cancelling a policy mid-term it must inform several other entities namely the underwriter, the Motor Insurers Data (MID), the finance provider (since Mr K opted to pay his premium in instalments) and indeed Mr K. I consider a fee of £50 to do all that is reasonable and not at all excessive.

Further, Carole Nash confirmed it applies this fee to anyone who cancels outside of the 14 day cooling off period. That shows me Mr K wasn't singled out or treated differently.

Paying an insurance premium by instalments is a concession by the insurance industry. By law, an insurer is entitled to be paid the whole premium upfront for agreeing to take on the risk. However, the industry recognises in many cases that causes affordability issues so now it's commonplace to permit payment of the premium by instalments. That usually involved a credit agreement with a finance company, which is the case here for Mr K.

When a policy is cancelled mid-term like Mr K's, the cost of 'time on risk' is calculated having regard to the full premium (plus the interest payable given the instalment plan) and the amount of time of the policy year Mr K was insured. Mr K, like every other policyholder, will

be required to pay for the time he had on cover to include any non-refundable charges or additional extras.

Since the finance cover provided the premium to Carole Nash, when Mr K cancelled his policy, the finance company has to be refunded the premium. Carole Nash and the investigator detailed the full breakdown for Mr K's cancellation so I won't repeat it here. It clearly showed Mr K had paid £73.22 whereas the total cost of the time on cover including non-refundable charges and extras was £93.90 leaving a shortfall of £20.68 plus Carole Nash's cancellation fee of £50 making the grand total of what Mr K had to pay to be £70.68.

I consider this to be factually correct, in line with the policy terms and terms of business and therefore wholly appropriate.

Consequently, I don't consider Carole Nash has done anything wrong in asking Mr K to pay this for the benefit of his insurance policy for the time he had it.

my final decision

So for these reasons, it's my final decision that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 30 September 2019.

Rona Doyle
ombudsman