

## **complaint**

Mr H has complained about the charges he has to pay after he cancelled his motorcycle insurance policy. He bought his policy through a broker, Rampdale Ltd.

## **background**

Mr H bought a motorcycle insurance policy through Rampdale Ltd. He agreed to pay for his yearly policy in monthly instalments with a finance company. A few months later he cancelled his policy as he no longer had his motorbike. Rampdale and the finance company told Mr H he owed a balance and this included cancellation charges. Mr H said Rampdale didn't tell him about the cancellation charges when he cancelled it. So he complained to Rampdale.

Rampdale said it wouldn't have known when Mr H cancelled his policy what, if any money was due back to him. It said the finance company set out the balance he owed later in writing.

Mr H remained unhappy, so he asked us to look at his complaint. The adjudicator who investigated it thought Rampdale's cancellation charge was reasonable. But she thought it should have highlighted to Mr H that the insurer applied short term rates if he cancelled his policy. Rampdale hasn't been able to provide a recording of the sales call. But Rampdale said it wouldn't have explained this to Mr H anyway before he bought the policy. So the adjudicator recommended Rampdale pay Mr H £50 compensation for not drawing his attention to the short term rates applied by the insurer before he bought the policy.

Rampdale didn't agree. It said the short term rates are explained in the insurer's policy document. And it doesn't believe short term rates are unusual for motorcycle insurance policies. So it didn't think it needed to bring attention to the rate before it sold Mr H his policy.

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 intend to uphold part of it.

Mr H is free to decide if he wants to make a separate complaint to the insurer of his policy about their charges. And the same applies to the finance company which he has an agreement with about his repayments. So the actions of the insurer and finance company are separate to this complaint and don't form part of my decision

Under Mr H's policy, the insurer applied short term rates to the premium in the event of cancellation. This means Mr H could pay much more than a pro rata amount for his time on cover if he chooses to cancel his policy early. In this case, the insurer charged Mr H 60% of the yearly premium for cancelling within 4 months. Most private motor insurance policies apply a pro rata refund when a policy is cancelled. And we think this is what a customer would broadly expect to pay as a reasonable sum.

So when a broker sells a policy that applies short term rates, we think it should highlight a short term rate before a customer buys that policy. This is because the customer is at risk of paying far more than the days it was insured for if they cancel their policy – so we think it's unusual.

Rampdale Ltd doesn't have a recording of the initial sales call. But it's told us it wouldn't have mentioned the cancellation charges were calculated on short term rates. And its key facts document to Mr H explains a cancellation charge by the insurer will apply, but doesn't explain it's on short term rates. It's explained on page 21 of the policy document.

As I've said, as the insurer set the cancellation charge, the charge itself isn't something I can consider in this decision. But I think Rampdale, as the broker, should have alerted Mr H to the short term rate calculation before he bought this policy. So for this failing, I think it should pay Mr H £50 compensation.

Rampdale's terms of business to Mr H say it will charge a cancellation fee of £20 plus a broker charge of 20% of the premium. This means the broker charge was about £88, as Mr H's yearly premium was £439.36. It hasn't explained why, but Rampdale charged Mr H £55.15 when he cancelled his policy, which was less. We generally think it's reasonable to charge a cancellation fee of between £50 and £75. So I think the amount Rampdale actually charged Mr H for cancelling his policy is a fair amount.

### **my final decision**

For the reasons I've given above, my final decision is that I uphold this complaint in part. I require Rampdale Ltd to pay Mr H £50 compensation for failing to alert him to the insurer's short term rates before he bought his policy.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 21 November 2016.

Geraldine Newbold  
**ombudsman**