

## **The complaint**

Mr M is unhappy with the administration of his motor insurance policy by Somerset Bridge Insurance Services Limited.

## **What happened**

Mr M had a motor insurance policy which was administered by Somerset Bridge Insurance Services Limited (SBIS). During the period covering the events of this complaint, SBIS was also known as Eldon Insurance Services Ltd. But, for the sake of simplicity, I've just referred to SBIS in this decision.

The policy was underwritten by a third party business and Mr M purchased it by way of a finance agreement provided by a further business. The current complaint is limited to the actions of SBIS in relation to administering the policy.

The policy was due to provide cover for Mr M from October 2018 to October 2019. It included optional added cover for legal expenses. In December 2018, Mr M's car was damaged by a third party. Ultimately, Mr M's car was considered a total loss and the claim was settled by the third party's insurer.

On 22 March 2019, Mr M called SBIS and confirmed this situation. He told SBIS that he wished to cancel his policy. SBIS explained that in order to cancel the policy, Mr M would have to send SBIS an email confirming this, which he said he would do. SBIS also informed Mr M of the £75 cancellation fee, which was also set out in the terms of Mr M's policy.

SBIS also said in this call that, as Mr M's claim had been settled and he no longer had a car, it would send him a letter saying that his policy would automatically cancel in 14 days time unless he switched the cover to a new vehicle.

Mr M did not send SBIS an email. And his policy was cancelled on 5 April 2019 in line with the letter SBIS had sent. And SBIS sent Mr M a further letter confirming this. This also confirmed that SBIS were, at that time, unable to confirm whether there was any outstanding balance or refund due, and that the direct debit for the next monthly premium was already in process. SBIS said that once this had been completed they would advise whether there was any outstanding balance.

A further monthly premium was paid for the policy via the direct debit and Mr M queried why this had happened even though the policy had been cancelled. He was apparently informed the direct debit was already in progress by the time the policy was cancelled. And that this had been mentioned on the cancellation letter SBIS had sent, as above.

SBIS then wrote to Mr M informing him that there was an outstanding balance of £191.49 that he needed to pay. Mr M paid this balance on 10 May 2019.

It then appears Mr M made two claims, via his bank, under the direct debit guarantee for monthly premiums paid on the policy. SBIS wrote to Mr M in August 2019, informing him that as a result of this there was an outstanding balance of £159.06 due.

Mr M queried this and was unhappy that anything further was due. He felt the policy had been cancelled and that he should not have been charged any further premiums after his call of 22 March 2019. He asked for a breakdown of the debt.

SBIS sent Mr M a breakdown of the debt on 12 September 2019. This was set out as follows:

*"Time on cover - £253.41*

*Cancellation fee - £75*

*Broker fee - £85.00*

*Finance fee - £50.00*

*Interest - £99.74*

*ARC legal cover - £25.99*

*Total charges - £589.14*

*Amount paid - £430.08*

*Taking into account the amount charged for time on cover and the amount paid, there is now a debt of £159.06*

*Please note that there was 2 indemnity claim done on the policy for the amount of £79.53"*

Mr M remained unhappy, even though SBIS offered to waive half the outstanding debt. He felt SBIS were harassing him over the debt. He also requested a copy of the call made on 22 March 2019, and had difficulty receiving this.

Ultimately, Mr M raised a formal complaint. SBIS responded, saying that the charges had been applied to his account correctly and that waiving half of the outstanding debt was a reasonable goodwill gesture. SBIS apologised if Mr M felt he was being harassed, but that the letter chasing the debt were in line with SBIS's process for collecting debts. And SBIS felt the customer service it had provided Mr M was appropriate.

Mr M remained unsatisfied and referred his complaint to this service. During the course of the complaint, SBIS continued to chase Mr M. It also wrote to him to say that, due to a miscalculation, the amount he now owed was £84.06.

Our investigator initially thought SBIS could have done more. She felt that Mr M had made it clear on 22 March 2019 that he wanted to cancel his policy, and that SBIS could have accepted his verbal cancellation request. She also wasn't sure that SBIS had properly explained the debt Mr M had owed and that it hadn't provided any evidence relating to the direct debit claims. She felt SBIS could also have been clearer about this direct debit claim, rather than just telling Mr M he'd made an "indemnity claim". At this point our investigator recommended Mr M's complaint should be upheld. She said SBIS should provide a more detailed explanation of the debt, a refund of the premium charged for cover provided beyond 22 March 2019, and £200 compensation.

SBISdisagreed. It provided further evidence, including a copy of the breakdown sent to Mr M on 12 September 2019. But said it would provide Mr M with an itemised breakdown of the cancellation charges he paid, including time on cover, how much was charged, when cover ceased and why. And SBIS also said that, whilst it did not agree to either compensate Mr M with £200 or to refund any time on cover after 22 March 2019, it would waive the outstanding debt.

Mr M's complaint was referred to me for a decision. But after SBIS had provided some further evidence, our investigator wrote to Mr M explaining how the debt had been calculated, including the time on cover. She confirmed that this was correct. And she said that, whilst she still felt SBIS could have been clearer in some of its communication, she thought the offer to waive the outstanding debt was a reasonable resolution to the complaint. Mr M did not accept this though, and his complaint has been passed back to me for a 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.

Mr M is unhappy that his policy was not cancelled following his call of 22 March 2019. I appreciate his unhappiness here to an extent. Mr M made it clear that he did not want the policy to continue. And, regardless of SBIS saying the standard process it has requires written confirmation of a policyholder's desire to cancel, it may have been possible for the policy to have been cancelled as a result of this call.

However, SBIS did make it clear what the required process was in this call and this was repeated to Mr M. He also appeared happy to proceed on this basis and the call ended with him saying:

*"Ok, I will send the email now."*

So I don't consider it unreasonable that SBIS did not cancel the policy immediately. I have also thought about what the impact of this was. The policy was cancelled 14 days later, when Mr M did not change the cover provided by the policy to a new vehicle. So whilst Mr M paid for a period of cover he may not have wanted, this was relatively short. And by waiving the debt SBIS has provided more of a refund than Mr M paid for this period of cover.

In terms of the amount Mr M owed, I can appreciate that he may have been confused by a direct debit being taken for the policy after it had been cancelled. But I can also understand that the process of collecting this had started by the time of the cancellation. And SBIS did explain in the letter of 5 April 2019 that this might happen.

The charges applied to the policy, set out above, are in line with the terms of the policy. They were also shown on Mr M's policy certificate. SBIS are also permitted to charge a cancellation fee to cover the cost of administering the cancellation. £75 is a reasonably high charge for such administration, but it is within the range of charges other insurers charge for such work. And, taking into account the various arrangements relating to the set of this policy, I consider it fair and reasonable in this case.

This complaint is against SBIS, rather than the underwriter or the finance provider. But, nevertheless, I can confirm that the amount Mr M was charged for time on cover and the finance agreement appear to be correct. Mr M was covered for 159 days, and the cost of this was around £253, which is what Mr M was charged.

Including the direct debit taken in April 2019, Mr M made 5 direct debit payments of £79.53, a total of £397.65. In addition to this, he paid £191.49 to settle the outstanding balance that existed in April 2019, bringing his total payments to £589.14.

Taking into account the time on cover, finance costs, and the other fees and charges listed above, Mr M had at this point been charged the correct amount and had paid this.

It then seems however that he made the two direct debit guarantee claims. I can appreciate why Mr M may have been led to reclaim the April payment - although, as above, this had been taken into account when SBIS calculated his outstanding balance. But it isn't clear why two payments were reclaimed. Regardless, this led to Mr M having an outstanding balance of £159.06.

I do note that this balance was technically due to the third party finance provider. However, one of SBIS responsibilities was to collect this payment. They are authorised by the Financial Conduct Authority in this regard. And they do have to send certain letters in order to do this.

I appreciate that Mr M may have found these letters to be harassing. But, having reviewed their content, I consider them suitable. They set out the amount owed, explained that failure to contact SBIS may lead to a referral to a debt collection agency, and advised Mr M to contact SBIS or the Citizens Advice Bureau if he was in financial difficulty. I do not consider the letters were harassing in nature. I also do not consider the number of letters sent to be inappropriate either.

I do note that, even after referral of Mr M's complaint to this service, SBIS did send further letters asking Mr M to settle his balance. We do usually consider it good practice for businesses to suspend collection activity whilst a complaint is with this service. But there is no requirement for a business to do this. And the actual actions SBIS took in this period were not inappropriate in themselves.

Since the complaint has been referred to this service, SBIS has agreed to waive the outstanding debt, so any collection activity has been terminated. I have seen no evidence that any of the actions SBIS took have had an impact on Mr M's credit file.

I do agree that some of SBIS's communications could have been clearer though. The breakdown of charges under the policy was not provided until September 2019, and this did not explain how the cost for time on cover had been calculated - nor how the direct debit paid in April 2019 had been taken into account. SBIS also referred to "indemnity claims" having been made, without really explaining what these were.

SBIS also made an error when waiving half the outstanding balance of £159.06. £75, rather than £79.53 was waived, leading to further confusion when Mr M was chased for £84.06.

However, given the correct costs and charges were applied to Mr M's policy, I consider the waiving of the full £159.06 to be a fair and reasonable outcome to this complaint. This provides Mr M with compensation for the communication issues he experienced, as well as the error made when SBIS waived half the debt. And it also means any period of cover provided after 22 March 2019 has been provided without charge.

### **Putting things right**

Somerset Bridge Insurance Services Limited should waive any outstanding debt owed by Mr M, if it has not already done so.

### **My final decision**

My decision is to uphold this complaint. Somerset Bridge Insurance Service Limited should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 24 July 2020.

Sam Thomas  
**Ombudsman**