

The complaint

Mrs A complains about the charges Swinton Group Ltd applied when she cancelled her motor insurance policy outside the 14 day cooling off period.

What happened

Mrs A took out a policy through Swinton and it contacted her to say that what she had disclosed didn't match her claims history on the Claims and Underwriting Exchange (CUE) database. Mrs A clarified with her previous insurer that it had recorded a "notification only" claim on her record and Mrs A wasn't aware of this. This information was passed to Swinton.

Mrs A was told numerous times that her policy would be cancelled as Swinton didn't have enough information about the claim. But when Mrs A contacted Swinton, she was told her policy would continue. Swinton then told Mrs A, 18 days after the policy had started, that there would be a premium increase due to the notification only, non-fault claim. Mrs A decided to cancel her policy as she thought this was unfair. Swinton then charged her for her time on cover, and it applied its service charge and cancellation charge. Mrs A was unhappy with this.

Our investigator recommended that the complaint should be upheld. He thought Swinton should have warned Mrs A that there may be a premium increase due to the notification only or non-fault claim. He thought it should have told Mrs A about the increase within the cooling off period. So he thought it was unfair for it to apply its charges and that it should refund these. He also thought Mrs A had been put to trouble and upset because she'd had to repeatedly contact Swinton when it told her the policy would be cancelled. He thought Swinton should pay Mrs A £100 compensation for this level of service.

Swinton replied that it wasn't responsible for Mrs A's initial error in not disclosing the claim. It said it had applied the charges Mrs A had agreed to when she took out the policy.

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.

I can understand that this has been a stressful and frustrating experience for Mrs A. She's told us that she chose Swinton as she thought it would be reliable and efficient. Our approach in cases like this is to consider whether the broker's acted in line with its terms of business and fairly and reasonably.

I've looked at Swinton's terms of business. They say that if a policy is cancelled within the cooling off period, the consumer will be charged by the insurer for time on cover and Swinton will apply a £25 cancellation charge. But if the policy is cancelled outside the cooling off period, Swinton will apply a £50 cancellation charge and not refund its £40 service charge.

I think these charges are clearly set out and in keeping with others I've seen. So I've looked to see whether it was fair and reasonable for Swinton to apply them in Mrs A's particular circumstances.

I think Mrs A inadvertently made the initial error in not disclosing the notification only non-fault claim. Two years earlier, she'd reported a scratch to her car's lease company and later asked for this to be cancelled as the scratch was removed by polishing. No outlay was made.

But the insurer had recorded the report on CUE as for notification purposes only and I think Mrs A was then obliged to disclose this to future insurers. I can't see that Mrs A's previous insurer told her how the claim had been recorded. But I can't say that this was Swinton's responsibility.

When Swinton raised this with Mrs A she obtained a copy of the claim form and an email from the previous insurer saying that the claim had been recorded as for notification only and closed. This was four days after the policy started.

There followed two weeks of emails, letters and calls between Swinton and Mrs A. Mrs A received repeated threats of cancellation and then reassurance that all was well. Swinton told her it didn't have enough information about the claim, but Mrs A had sent it all that was available. Mrs A re-sent this information once more and was finally asked to upload it to her account. Swinton then told her it had all it needed, and that the insurer would require an additional premium due to the claim. Mrs A found alternative cover and cancelled her policy.

I think Mrs A wanted her policy to continue until she was told about the additional premium. I think Mrs A did all that was required of her by Swinton in good time. And I think Swinton provided a poor level of service for her:

- Swinton had the required documents four days after the policy started but still asked for further copies of the same documents on two later occasions.
- Swinton didn't warn Mrs A that the claim would likely lead to an increase in premium. I think it should have warned Mrs A about this during the cooling off period.
- Swinton sent Mrs A numerous notifications of cancellation after she had supplied the needed documents, which I think caused Mrs A avoidable stress and upset.
- Mrs A had to contact Swinton numerous times to establish that her policy wouldn't cancel.

And so I think it was unfair for Swinton to apply the charges that would have been avoided if Mrs A had cancelled within the cooling off period. Because of its level of service, I also think that it's unfair for Swinton to charge Mrs A for cancellation if she'd been able to do this within the cooling off period.

And I think Swinton has caused Mrs A avoidable stress and upset and it should compensate her for this. The investigator recommended that Swinton should pay Mrs A £100 compensation for its level of service. I think that's fair and reasonable as it's what I'd require in similar circumstances.

Putting things right

I require Swinton Group Ltd to refund that £50 cancellation charge and £40 service charge and pay Mrs A £100 compensation for the distress and inconvenience caused by its level of service.

My final decision

For the reasons given above, my final decision is that I uphold this complaint. I require Swinton Group Ltd to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 24 June 2021.

Phillip Berechree
Ombudsman