

The complaint

Mrs S complains about Hastings Insurance Services Limited trading as Hastings Direct ("Hastings") for charging a cancellation fee after she cancelled her car insurance policy.

What happened

Mrs S used a comparison website to take out a car insurance policy through Hastings – who were acting as broker. Mrs S bought the policy on 26 November 2020 to start on 5 December. Hastings contacted Mrs S to say they needed to verify some details with her. They asked for confirmation of Mrs S's UK residency year. Having received confirmation of Mrs S's residency date, and this being different to the date given when the policy was taken out, Hastings explained an additional premium of £40.21 was payable plus a £30 administration fee. Mrs S declined this and chose to cancel the policy – which was after the cooling off period expired. Hastings then charged a cancellation fee of £45.

Mrs S complained about the fee charged and about Hastings carrying out their validation checks 28 days after the policy was taken out – this meant she couldn't cancel within the 14-day cooling off period. Hastings explained the £45 cancellation fee is clearly explained in the policy documents and terms and conditions. Hastings also said they can carry out validation checks at any point throughout the policy year.

Our investigator looked into things for Mrs S. He thought Hastings hadn't acted unfairly in charging a cancellation fee. Mrs S disagreed so the matter has come 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.

Having done so, I've decided not to uphold the complaint. I understand Mrs S will be disappointed by this but I'll explain why I have made this decision.

My starting point is Mrs S's car insurance policy. This sets out the terms and conditions and, under a section headed 'Your rights to cancel this policy', it says "*If the Primary Policyholder or we cancel the Policy **at any other time**, we'll refund the part of the Premium on a pro rata basis for the Period of Cover that hasn't been used for each Car, minus our after 14-day cancellation fee and our other non-refundable fees.*" The policy documents then set out the fees charged by Hastings to cover the costs involved in setting up, servicing and cancelling a policy. It says Hastings charge a fee of £30 for changes they need to make if a customer hasn't provided correct information. And, they charge a cancellation fee of £45 if a customer cancels a policy after the cooling off period.

So, I don't think it's unreasonable for Hastings to charge a cancellation fee as Mrs S does cancel her policy after the cooling off period. And, the terms and conditions allow Hastings to charge a cancellation fee of £45 in this event.

That said, I understand Mrs S is concerned about the timeline of events here. Mrs S says the demand for the additional £70.21 was on 24 December – which is 19 days after the start of

the policy and 28 days after she bought the policy. So, Mrs S feels she has been denied a cooling off period. She says the demand for an additional premium is what led her to cancel her policy and feels it was unreasonable for Hastings to wait until the cooling off period expired before telling her they would be charging her an additional premium.

I understand Mrs S's concern in this respect, so I've looked at the timeline of events. Mrs S purchases the policy on 26 November and pays a premium of £372.71. There's no dispute here that Mrs S, when purchasing the policy, didn't provide accurate information about when she became a UK resident. Policy documents are then sent to Mrs S the same day. The policy, and cooling off period, then starts on 5 December. Hastings email Mrs S on 7 December and say they need to confirm some details with her. They ask Mrs S to confirm her UK residency date. Mrs S emails Hastings on 9 December to confirm her date of UK residency. The cooling off period then expires on 19 December. I can see Hastings contact Mrs S on 24 December and explain they've amended details on her policy and this has led to an additional premium of £40.21 plus a £30 administration fee becoming payable. Mrs S then cancels her policy. Hastings email Mrs S on 29 January 2021 and say the refund due to her is £248.76. They apply a deduction of £123.95 for the time on cover, £20 arrangement fee and £45 cancellation fee.

From the point Mrs S provides confirmation of her UK residency, she has 10 calendar days remaining of her cooling off period. Hastings don't write to her within this period letting her know about the additional premium – this is done five days after the end of the cooling off period. While I can understand Mrs S's frustration, I don't think Hastings have acted unreasonably here. Hastings say the cooling off period is an opportunity for Mrs S to review the welcome pack and ensure all policy details are accurate and to contact Hastings if any details need amending. And, I agree with this. The welcome pack sent to Mrs S provides her cover summary and details of all the information she has entered when taking out the policy. In the welcome pack, Hastings ask Mrs S to check all information and let them know straight away if anything isn't correct. This would've given Mrs S an opportunity to correct the information about her UK residency sooner, but I can't see she corrects this until Hastings contact her. There's no evidence here that Hastings knew an additional premium would lead to Mrs S cancelling her policy so I can't say their actions were deliberate in writing to her after the cooling off period expires. I can understand Mrs S's point about why Hastings couldn't have let her know within the cooling off period, but I don't think the time taken by Hastings is unreasonable.

Mrs S says, when she applied for the policy online, she didn't notice the residency question was pre-answered with a 'tick' as 'resident in the UK since birth'. Mrs S says she didn't correct this as the question was easy to miss. I've seen a screenshot of this question from the comparison website and it asks, 'When did you become a UK resident?' and there is then a box underneath which says 'From birth' or a separate box for a customer to complete the month and year they became a UK resident. There's a box beside this which says, 'Insurance providers require this information in order to provide a quote.' This guidance note suggests it's an important question for the insurer.

Hastings have provided a screenshot showing a number of quotes generated by Mrs S on 26 November using the comparison website – some show the UK residency question answered as 1939 and some as 1950. So, I think it was reasonable for Hastings to ask for verification on the answer to this.

Mrs S says she's not very experienced in completing things online. So, while I accept, in some circumstances, sometimes questions may be missed while completing a form online, that is why brokers ask customers to check all details on the cover summary to ensure it is correct – and that's what Hastings did.

I can see Mrs S asks whether the question about UK residency is appropriate and whether living in the UK for 70 years instead of from birth can be an insurance risk. Different insurers take different approaches to risk. Some are more cautious and that may mean they price more highly on average than other insurers. Or they may choose not to offer policies at all in circumstances where other insurers are willing to offer a low premium. This is a choice for each insurer to make and they're entitled to be as risk taking or risk averse as they see fit. An insurer will decide what factors to take into account and how much weight to put on each of them. Some may use only a few factors, others many more. Hastings are acting as broker here rather than insurer, so I can't see there has been any error by them as they are simply carrying out the risk protocol put in place by the insurer.

Mrs S is also concerned that Hastings said they would be taking the additional £70.21 in a couple of days and would be taking this from the card details they hold for Mrs S. I understand why this was of concern to Mrs S but I can see Mrs S agreed to a process Hastings call 'Continuous payment authority' which means Mrs S has given Hastings the right to take any future payments from the card details they hold.

Taking this all into account, I can't say Hastings have acted unreasonably in correcting the details and then asking for an additional premium and administration fee. While I do acknowledge Mrs S's frustrations around the timing of the notice to her about the additional premium, I can't say Hastings have made an error here. Mrs S did have all cover details before the start of the policy to check all information was correct.

I do understand Mrs S will be disappointed by my decision but I wish to reassure her that I've carefully considered all information in the matter. And, while I understand what the source of her frustration is, I can't say Hastings have acted unfairly or unreasonably.

My final decision

For the reasons I have given, it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 15 November 2021.

Paviter Dhaddy
Ombudsman