

## **The complaint**

Mr O has complained about the amount he was charged by Somerset Bridge Insurance Services after he cancelled his motor insurance policy. He's also complained that Somerset Bridge Insurance Services wouldn't allow him to make small monthly payments and instead passed the debt to a collection agency.

## **What happened**

Mr O held a motor insurance policy through Somerset Bridge. A few months after taking out the policy, Mr O cancelled it after losing his job. Somerset Bridge said Mr O had paid £252.30 towards the total cost of the policy which meant he owed £621.25.

Mr O thought this was too much, as he couldn't afford to pay more than £10 a month and complained to Somerset Bridge. Somerset Bridge said Mr O had accepted the fees associated with the policy by ticking to confirm he accepted the terms of business when buying the policy. However, it said it would waive £25 of the cancellation charge as a gesture of goodwill. Somerset Bridge offered Mr O the opportunity to pay the outstanding balance over twelve months. When Mr O said he could still only afford to pay £10 a month, Somerset Bridge said it would need to pass the debt to a collection agency because it wasn't a credit provider.

Mr O was unhappy with this and brought his complaint to our service. He didn't want to pay any charges or fees associated with the debt being passed to a collection agent and thought Somerset Bridge should have given him the option to pay a more manageable amount. Mr O also thought the fees Somerset Bridge had charged were too high.

Somerset Bridge said the collection agent didn't add any interest to the balance owed and there were no further fees that would be added to the debt.

Our investigator looked into Mr O's complaint but didn't recommend it be upheld. He thought Somerset Bridge had charged Mr O the fees set out in its terms of business. And he thought it was fair for it to pass the debt to a collection agent because it couldn't arrange a payment plan for the length of time it would take Mr O to pay his outstanding balance.

Mr O didn't agree, as he still thought the fees Somerset Bridge had charged were too high.

Before I reached a decision, our investigator asked Somerset Bridge to clarify its arrangement with the credit provider. Somerset Bridge said when a policyholder cancels a policy Somerset Bridge pays off the balance of the credit agreement and then takes on the debt in order to streamline the process for the policyholder.

Our investigator also asked Somerset Bridge to explain how the fees were proportionate to the work involved in dealing with the policy. Somerset Bridge referred to its Terms of Business and said the fees were clearly set out.

I issued a provisional decision on this complaint on 14 January 2022 where I explained what I intended to require Somerset Bridge to do. I said:

*I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.*

*The cancellation section of Somerset Bridge's Terms of Business says:*

***"Outside the 14 day cooling off period***

*Our insurance policies are arranged for an agreed period of time and you are required to pay the full amount stated. Where the insurance policy is cancelled other than within the cooling off period and provided that you have not made a claim or a claim has not been made against you, we will return to you the amount that you have paid us, after deducting:*

- A pro rata deduction of premium for the time that you have been on cover, unless your policy is underwritten by an insurer where short period cancellation rates apply.*
- Our annual policy arrangement fee.*
- A £75 cancellation charge as set out in the 'Policy and Administration charges' section of this document.*
- The full cost of all add-on products that you purchased.*
- Where applicable, the Direct Debit arrangement fee.*
- If a discount was applied when you took your policy out, this discount will be deductible from any return premium due on a pro-rata basis.*
- RAC breakdown cover - Unless a claim has been made on the policy, you will receive a pro-rata refund less any commission amount as detailed in your confirmation letter*

*Where the amount that you owe exceeds the amount that you have paid us, you will be required to make payment for the outstanding amount within 14 days. Failure to do so may result in us taking steps to recover the debt."*

*The Terms of Business also include a table setting out the fees that apply to the policy.*

*Somerset Bridge is Mr O's broker. Some of the charges it's applied are from other businesses e.g. the credit provider or the insurer. In this decision I'm only going to make a finding on the fees Somerset Bridge itself has charged however, I'll set out all of the fees so Mr O can see who's charged them.*

*Somerset Bridge said Mr O's insurer charged him £443 for the time he was on risk. This seems to be a pro rata amount for the amount of time he had his policy. As the insurer charged this, I think it's fair and reasonable for Somerset Bridge to have passed this on to Mr O. If Mr O is unhappy about the amount the insurer charged, he'd need to complain to them directly.*

*The £173 credit fee is charged by the credit provider as interest for the policy. I can see that Somerset Bridge set out the interest rate that would apply as Mr O had chosen to pay monthly. If Mr O is unhappy about this charge he would need to complain to the credit provider.*

*There is a £8.20 fee for an add-on policy. Again, this isn't something charged by Somerset Bridge, but by the insurer of that policy. As the insurer has charged Mr O for it, I think it's reasonable for Somerset Bridge to pass it on to him.*

*Somerset Bridge charged Mr O a £73.59 arrangement fee for setting up the policy, a £50 fee for setting up the finance agreement, an amendment fee of £50 (due to a change of vehicle)*

and a cancellation fee of £75 which it later reduced to £50.

*A broker is entitled to charge a reasonable amount for any administrative tasks it carries out and I understand that it is also a commercial business with a range of costs involved in its running. I can also see that Mr O accepted the fees when he ticked to confirm he'd read and accepted the terms of business. However, I only think it's fair and reasonable for a broker to charge fees which are proportionate to the work it's carried out and are not so high that they create a barrier to cancelling the policy.*

*Our investigator asked Somerset Bridge to explain how the administrative costs it charges are proportionate to the tasks involved. Somerset Bridge referred to its Terms of Business where it sets out the fees, but I haven't seen anything to persuade me that they are proportionate.*

*Somerset Bridge's Terms of Business say that it receives some commission from insurers on a percentage basis. So, assuming Somerset Bridge has already received some commission from the insurer for the sale of the policy, it doesn't seem proportionate to me to charge an additional £223.59 (after the £25 deduction) for setting up a policy, arranging the finance, amending it and cancelling it. I also think all the fees added together created a barrier to Mr O cancelling the policy given his financial circumstances.*

*While it's difficult to put an exact figure on what would be a proportionate cost for the administrative tasks, I have to take a pragmatic approach. In doing so, I think £100 is a fairer amount for Somerset Bridge to charge Mr O for the work it's done. I understand Mr O has started making payments to the collection agency. Therefore, Somerset Bridge should pay Mr O £123.59 to reimburse him for the additional fees.*

*Somerset Bridge has a general duty to provide Mr O with information in a way that is clear, fair and not misleading. However, I don't think that the Terms of Business made it clear to Mr O that if his policy was cancelled, Somerset Bridge would pay off the balance of his finance agreement and he would then owe Somerset Bridge the outstanding balance.*

*Somerset Bridge has said that this arrangement is common within the industry. While that might be the case, I must decide on what I think is fair and reasonable in the circumstances of the individual case. In this case, I have taken into account that Mr O cancelled his policy due to losing his job and that he let Somerset Bridge know that he was in financial difficulties.*

*I don't think Somerset Bridge acted sympathetically towards Mr O when he was unable to make the payments. Instead, Somerset Bridge gave Mr O the option of taking on an unaffordable payment plan or being passed to a debt collection agency. Somerset Bridge said that it wasn't able to offer Mr O a longer payment plan because it wasn't a credit provider. However, Mr O did have an agreement with the credit provider until Somerset Bridge paid the balance. In doing this, Somerset Bridge took away any options Mr O might have had in coming to an agreement for a payment plan with the credit provider directly. I also can't see that it clearly explained to Mr O at the time that this is what was happening before it took on the debt. I also think it would have been distressing for Mr O to have his debt passed to a collection agency, without first having had the opportunity to engage with the credit provider as to a reasonable repayment plan. Or alternatively for Somerset Bridge to apply proper consideration to his request to settle the outstanding amount at a rate that had been reasonably and properly assessed. All this was at what was already a difficult time for him after losing his job.*

*I understand that there haven't been any additional fees or interest added to the debt by the collection agency, so I don't think Mr O has lost out financially. However, I think Somerset*

*Bridge caused him distress and inconvenience by not providing clear information to explain that it would settle the finance agreement and take on the debt in the event of the policy being cancelled. I therefore think that the fair and reasonable outcome is for Somerset Bridge to pay Mr O £125 for the distress and inconvenience it has caused him.*

Overall, I intended to require Somerset Bridge to pay Mr O £248.59.

Mr O accepted my provisional decision. Somerset Bridge reiterated that it was unable to offer Mr O a payment plan on the terms he'd asked for.

### **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've noted Somerset Bridge's point that it was unable to offer a longer payment plan but that's already been addressed in my provisional decision. I haven't seen anything to change my mind, so I don't intend to depart from the outcome reached in my provisional decision.

### **My final decision**

For the reasons set out above, and in my provisional decision, my final decision is that I uphold this complaint and require Somerset Bridge Insurance Services Limited to pay Mr O:

- £123.59 to reimburse the additional fees.
- £125 compensation for his distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 18 March 2022.

Sarann Taylor  
**Ombudsman**