

The complaint

Mr C complains that, when he cancelled his car insurance policy, he didn't receive a refund in line with what he was told by Next Risk Solutions Limited (trading as Quote Detective) at the point of sale.

What happened

In January 2021, Mr C took out a car insurance policy over the phone. The purchase was made via Quote Detective, who acted as the broker. Mr C says he was given information by Quote Detective at the time that explained the costs he'd incur if he decided to cancel the policy early.

Mr C cancelled his policy the following month and complained after finding out the sum he was being refunded. Mr C felt this didn't match what he was told by Quote Detective when he took out the policy and thinks he's been charged too much for the time on cover. He also claims he cancelled the policy within the 14-day cooling off period.

Quote Detective responded with an explanation of the policy cancellation terms. The broker pointed out that Mr C had confirmed his understanding of the cancellation terms during its call with him and that it had sent the relevant terms as part of the welcome pack he received.

Mr C remained unhappy and asked this service to independently review his complaint. Our investigator concluded that Mr C was charged in line with the terms of the policy and that these terms were clearly explained to Mr C before he took out the policy. However, the investigator concluded that the commission clawback amount due upon cancellation of the policy wasn't set out clearly and recommended that Quote Detective refund the value of this.

Mr C didn't agree and feels the terms weren't explained to him in a way he could understand. Because he didn't agree, the complaint has been passed to me for a final 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.

I'd like to first point out that the cancellation terms of Mr C's policy are set by the insurer, not Quote Detective. And the bulk of what Mr C was charged was for the time he was on cover, which is decided by the insurer. Quote Detective's own terms are only relevant for any fees Mr C was charged by the broker. Given this, I can't consider whether Mr C was fairly charged for time on cover as this isn't something that Quote Detective is responsible for. I can only investigate whether Quote Detective explained the cancellation terms clearly.

I've listened to the call that took place between Mr C and Quote Detective when the policy was sold and I note the following:

- Mr C specifically asked about the costs he'd incur if he cancelled the policy early

- The Quote Detective representative explained the broker's cancellation fees both for cancelling within and outside of the 14-day cooling off period
- The representative also explained that Mr C would be charged for time on cover and that cancelling after the cooling off period would result in him paying for each month on cover – the representative set out the potential premium that could be retained upon cancellation using percentages
- Mr C confirmed he understood what was explained

I've looked at Quote Detective's terms of business that the broker says was sent to Mr C with his welcome letter. Mr C cancelled his policy in its second month, so the terms that are relevant relate to cancellation outside of the 14-day cooling off period. These terms explain that Quote Detective charges a £50 cancellation fee and that Mr C would be charged a percentage of the premium for time on cover - this will differ, depending on the month the cover is cancelled. This is the information Mr C was given over the phone before he took out the policy, so I'm satisfied that Quote Detective set out the terms clearly.

Mr C says the terms weren't explained to him in a simple way. But I don't agree. During the call, the discussion around cancellation charges took place more than once. The representative checked Mr C's understanding and he confirmed he understood. Moreover, the terms were also sent to Mr C – so if Mr C felt something was unclear at this point, I think it's likely he would've got in touch with the broker sooner to clarify.

Mr C says the premium refund he received doesn't match what he was told over the phone. During the call, the representative set out that estimated premium that would be retained upon cancellation in month two would be 40%. This is in line with Quote Detective's terms of business. I've seen the details of the amount Mr C was refunded and it seems to me that this was 60% of the total premium. So I'm satisfied the premium refund Mr C received was in line with the cancellation terms Quote Detective set out to him.

Mr C was also charged a fee of around £60 for lost commission. As mentioned in its terms, Quote Detective is usually paid a commission by the insurer. But when Mr C cancelled his policy, Quote Detective lost out on some or all its commission, given that part of the premium was refunded by the insurer. So the broker decided to charge Mr C the amount it had lost out on.

However, I can't see that this was mentioned during the call Mr C had with Quote Detective. And looking at the broker's terms, in my opinion the commission clawback isn't set out clearly here either. The terms explain that Quote Detective is usually paid a commission by the insurer and, where this isn't the case, Quote Detective charges up to 15% of the premium as commission. The terms go on to add that a charge will apply for lost commission if the policy is cancelled. But the terms do not explain the value of this charge or what percentage charge will be applied upon cancellation of the policy. Because this wasn't made clear to Mr C, I think Quote Detective should refund the commission sum it charged him

In summary, I think Quote Detective clearly set out its cancellation fee and the percentage premium Mr C would have to pay for time on cover, if he cancelled the policy after the cooling off period. And, I'm satisfied the premium refund Mr C received was in line with what Quote Detective told him during the sales call. However, Quote Detective should've done more to clearly explain the amount it would charge Mr C for lost commission. Because the broker didn't do so, I think it's fair that Mr C is refunded this amount.

Putting things right

Quote Detective didn't clearly explain the commission cost Mr C would be charged if he cancelled the policy early. To put things right, Quote Detective should refund Mr C £63.02

My final decision

My final decision is that Next Risk Solutions Limited (trading as Quote Detective) should pay Mr C £63.02.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 22 April 2022.

Abdul Ali
Ombudsman