

The complaint

Miss M says her motor insurance policy was cancelled wrongly, and that ATLANTA 1 INSURANCE SERVICES LIMITED then required her to pay too much in charges.

What happened

Miss M's policy was cancelled after 17 days, as she'd committed a serious speeding offence. She disagreed with the decision to cancel the policy and with the charges made. She said she'd paid Atlanta a £92 deposit, yet it required her to pay a further £174.18 on cancellation. Atlanta said the insurer had retained £91.98 (for the time Miss M was covered by its policy, plus a cancellation charge). Atlanta said the rest of the sum required represented its own charges, including its cancellation fee.

One of our investigators reviewed Miss M's complaint against Atlanta. She also set up a separate complaint against the insurer about the cancellation. She thought it was fair that Miss M was charged by the insurer for time on cover – and noted that Atlanta's charges were set out in its terms and conditions, which Miss M had agreed to at the start.

Miss M said she shouldn't have to pay any cancellation charges, as it wasn't her decision to cancel the policy. She said Atlanta shouldn't claw back any commission. She didn't agree she should pay its set-up charges, as she got the policy online, rather than by dealing with Atlanta's advisor. She objected to debt collectors being instructed. And she said we'd helped her get a good outcome in a similar complaint she made against another broker, so we should do so here, too.

As there was no agreement, the complaint was passed to me for review. I issued a provisional decision, upholding the complaint in part, as follows:

Atlanta's terms of business were made available to Miss M before she bought the policy online and were sent to her by email when she did so.

We think it's reasonable for a broker to charge for setting up a policy. Miss M says as she didn't speak to anyone at Atlanta, there's no justification for it. But administrative tasks have to be carried out by a broker when a policy starts. Atlanta's set-up charge was £100, which is much higher than usual. When we queried it, Atlanta said Miss M had a telematics policy and its set-up costs were greater than for a standard policy. It said extra tasks - such as issuing a 'black box' device and setting up a portal to record the data from it - had to be done. I don't think the explanation Atlanta has provided justifies charging twice the standard set-up fee. I think it should reduce the charge by £25.

Atlanta disallowed the small broker discount Miss M benefited from when she took the policy, in line with the details set out in its terms of business. I think that was reasonable. It also clawed back £25 of the commission it lost due to the cancellation. We think it's fair to do that if a broker has set out in its terms of business what sum (or percentage charge) will be made on cancellation. As Atlanta did that, I don't think it acted unreasonably.

Miss M believes that as she didn't want the policy to be cancelled, it isn't fair for her to have to pay cancellation charges. But they apply regardless of which party cancels a policy. We think it's fair for a broker or an insurer to make a reasonable cancellation charge – but we don't think it's reasonable for the insurer and the broker to do so. In this case, Atlanta says the insurer retained £56 as its cancellation charge. Atlanta's terms of business state that it will charge £50 on cancellation (although in recent correspondence it said it charged £75). But Miss M has already paid a cancellation charge to the insurer, and I don't think it would be fair for her to be charged twice. So I think Atlanta should waive its cancellation charge.

Miss M doesn't think the policy should have been cancelled, but that decision was made by the insurer. In relation to Miss M's complaint about another broker, we look at each case on its own merits. But I've looked at the other complaint. The circumstances in it were not similar to the ones here – and the broker put matters right after its own investigation.

I think in general Atlanta acted reasonably in dealing with the cancellation of Miss M's policy, and I don't think it was unreasonable for it to instruct a debt collection agency. But based on the details I've seen so far, I'm minded to conclude that it should reduce the sum owed by Miss M, as explained above.

I asked the parties to comment on my provisional findings.

Atlanta said it shouldn't be required to reduce its set-up charge, as telematics boxes cost £70 on average - on top of its other costs and all the work it did in setting up the policy. It pointed out that some brokers charge much more than Atlanta for setting up similar policies. It also said that it (as opposed to the insurer) shouldn't have to waive its cancellation charge, as it did most of the work on the policy.

Miss M said she wouldn't be paying £400 for a year's insurance when she'd only had two weeks cover – and that she wanted justification outside the ombudsman's decision. We asked her to clarify these points. Miss M said the cost of the telematics box was included in the premium and wasn't part of Atlanta's set-up costs. She said there was no reference anywhere in the terms and conditions about being charged for it on cancellation. She also said she should only have to pay for what she'd used - and that the reason she committed the driving offence hadn't been taken into consideration by the insurer or Atlanta.

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 agree with Miss M that she should only be charged for the cover she's used – and I think that's what has happened. The £92 retained by the insurer reflects the cost of insurance from it for 17 days *and* its £56 cancellation fee. I know Miss M thinks the circumstances that led to the offence should have been considered. But the insurer chose to cancel the policy despite the explanation Miss M gave it for her driving behaviour. This complaint is against Atlanta, and it didn't make the decision to cancel the policy.

The sum Miss M is being chased for reflects the outstanding charges Atlanta says are owed to it. I agree that a broker usually carries out most of the work when a policy's cancelled and I understand why Atlanta thinks a cancellation fee is justified. But the insurer has charged a cancellation fee, and it isn't fair for Miss M to have to pay twice. I think Atlanta should be able to liaise with the insurer about the issue. In my opinion, that's a reasonable way forward and it prevents further inconvenience, upset and an unfair charge for Miss M.

The '*supplementary information*' referred to in Atlanta's terms of business (for consumers who have a telematics policy) says the cost of the box is included in the overall cost of the policy. So I don't think Atlanta can include that cost as part of its set up charge. But Atlanta carried out administrative work in setting up the policy, and telematics policies will require extra tasks to be done. We think it's fair for brokers to make a reasonable charge for the work they do - but based on the details it provided, I still think Atlanta should reduce its charge by £25. I don't think it's relevant that some brokers may charge more than it does for setting up telematics policies. Some may charge less – and in any event, I can only look at the facts of this complaint and decide what I think is fair and reasonable here.

My final decision

My final decision is that I uphold this complaint in part. I require ATLANTA 1 INSURANCE SERVICES LIMITED to reduce its set up fee by £25 and to waive its cancellation charge.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 3 June 2022.

Susan Ewins
Ombudsman