

The complaint

Miss B complains that U Drive Cover Ltd unfairly charged a fee for cancellation of a motor insurance policy.

Where I refer to U Drive, I refer to the above-named company and I include employees and others insofar as I hold U Drive responsible for their acts or omissions.

What happened

On the morning of 20 April 2022, Miss B went through a comparison website and bought a motor insurance policy for the year starting from 5 May 2022.

U Drive acted as an intermediary between Miss B and the insurance company. She paid the cost of about £395.00.

U Drive rang Miss B later that morning. That call revealed that, when Miss B got the quote, she hadn't mentioned that she visited multiple sites for work, so she needed cover for business use.

The insurance company was no longer willing to provide cover. U Drive found an alternative quote of £552.00. Miss B didn't want to go ahead through U Drive. It said it would refund her, but it would deduct a £75.00 cancellation fee. Miss B complained to U Drive about that.

By a final response dated 22 April 2022, U Drive turned down the complaint. It said that it was proposing to refund £320.23. That is her payment of £395.23 less the £75.00 cancellation fee. It said that it would make the refund in late May 2022.

Miss B brought her complaint to us on 25 April 2022.

Our investigator recommended that the complaint should be upheld. She thought that the fee was disproportionate to the level of work carried out, Miss B didn't receive any policy documents nor was a policy fully set up. In addition, Miss B changed her mind on the same day, within a four-hour period. The investigator recommended that U Drive should refund Miss B the £75.00 fee.

U Drive disagreed with the investigator's opinion. It asked for an ombudsman to review the complaint. It says, in summary, that:

- Its cancellation charges cover only part of its initial costs when a customer obtains a policy via a price comparison website, and of its validation checks.
- It was justified to charge the cancellation fee based on the non-disclosure of a material fact, which had a direct impact to the quote initially offered online.

On 23 November 2022, the investigator asked U Drive if it had any comments – by 1 December 2022 - on paying interest on the £75.00 from 20 April 2022 . U Drive didn't reply.

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.

We wouldn't find a cancellation fee fair unless it was agreed at the time of sale and it was also proportionate to the service provided, with no element of profit.

U Drive's terms and conditions of business include details of its charges. These include a £75.00 charge for any cancellation before the policy starts or within the 14-day cancellation period.

From a screenshot, I accept that – before she could pay for the policy online - Miss B would've had to tick a box saying that she had read and agreed the terms and conditions. The box had a link to the terms and conditions.

I'm not satisfied that U Drive had done enough to bring its cancellation charge to Miss B's attention at the time of sale online. In order to find the terms about charges, Miss B would've had to click on the link and scroll through to pages 6 and 7 of the 10-page terms and conditions. I'm not satisfied that this was reasonable or that Miss B knew of the cancellation charge or agreed to it.

I've seen an email from U Drive to Miss B confirming the start date of 5 May 2022 and the cost of the cover.

From what Miss B and U Drive have each said, it hadn't issued any policy documents before she cancelled.

From what U Drive has said, it hadn't sent any information to Motor Insurers Bureau (MIB).

U Drive has told us that – for a policy via the comparison website – its costs exceeded £75.00. I infer that it made a payment to the website. But U Drive hasn't given us any details or evidence of the cost of the work it did. So I'm not satisfied that £75.00 was a proportionate charge in Miss B's case.

Miss B has told us that she did receive the £320.23 in late May 2022.

I haven't been satisfied that the cancellation charge was agreed at the time of sale or that it was proportionate to the service provided, with no element of profit. So I don't find it fair, notwithstanding what U Drive has said about non-disclosure.

Putting things right

I conclude that it is fair and reasonable to direct U Drive to refund the £75.00 cancellation charge. As Miss B will have been out of pocket in that amount since 20 April 2022, I find it fair and reasonable to direct U Drive to pay her interest at our usual rate.

My final decision

For the reasons I've explained, my final decision is that I uphold this complaint. I direct U Drive Cover Ltd to pay Miss B:

1. £75.00 in refund of its cancellation fee; and

2. simple interest on that amount of £75.00 at a yearly rate of 8% from 20 April 2022 to the date U Drive refunds that amount. If U Drive considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Miss B how much it's taken off. It should also give her a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 30 December 2022.

Christopher Gilbert

Ombudsman