

The complaint

Ms K has complained about the fees she was charged by ATLANTA 1 INSURANCE SERVICES LIMITED ('Atlanta') after she cancelled her motor insurance policy and generally about the way it administered her policy.

What happened

Ms K took out a motor insurance policy through Atlanta, an insurance broker. Shortly after the policy was taken out Atlanta got in touch with Ms K to say that though Ms K had said she had had no claims in the previous five years, its search showed that there were in fact three claims with her previous insurer "C" and one with another insurer. Ms K said she did not recall the three claims she had with C and Atlanta said she should discuss this with C and get back to it.

Ms K got in touch with C and then went back to Atlanta to provide details of the three claims. Atlanta told Ms K that her premium would increase in light of this new information, as this was something that wasn't provided at the time when Ms K applied for the policy. Atlanta said the policy would have to be updated otherwise it would be cancelled. Ms K thought the new premium was too high and decided to cancel her policy.

Atlanta wrote to Ms K when the policy was cancelled to say that there was an outstanding charge of £55.12 which Ms K was not happy about and complained. Atlanta didn't uphold the complaint and said it had done nothing wrong in the way it administered the policy. Atlanta later told us that a £50 cancellation fee was applied as the policy was cancelled more than 14 days after it was taken out- on day 15.

Ms K then brought her complaint to us. She said Atlanta would not refund the £87 deposit she had paid when she took the policy out and was asking for a further £55.12. Ms K had agreed to pay for the policy in instalments through a finance company and she said she had been receiving letters from that company chasing her for a debt. Though these subsequently stopped she found it distressing while it went on. She said she wanted her £87 to be refunded and not to pay a cancellation fee.

Our Investigator who considered the complaint, initially didn't think it should be upheld for the reason Atlanta had given. But upon receipt of further information from both parties our Investigator upheld the complaint and said that Atlanta should waive the £50 cancellation fee and also pay Ms K £50 for the distress and inconvenience it caused her. Our Investigator said this was because Atlanta delayed getting back to Ms K to confirm the new higher premium and that had it not been for this delay Ms K would have cancelled before the 14 day cooling off period and therefore not incurred a cancellation fee.

Atlanta didn't agree and asked for an Ombudsman's decision. Among other things it said it didn't delay and also that its terms say that because Ms K's policy was cancelled due to her providing incorrect information at the start, the £50 cancellation fee would apply regardless. It also said the outstanding balance of £55.12 had been calculated correctly, as per its terms which Ms K agreed to when purchasing the policy.

Before I issued my decision I asked our Investigator to go back to both parties to say that I would be upholding the complaint and to clarify that I would be asking Atlanta to stop chasing Ms K for the outstanding balance of £55.12 and to pay her £44.88 compensation. Ms K agreed. Atlanta said it would await my decision before taking any action.

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 to uphold it for similar reasons to those provided by our Investigator.

The parties have raised a number of points, particularly, after our Investigator's views. I have taken all of them into consideration but in this decision, I will focus on the ones I consider to be the most significant.

The issues I am considering

Atlanta has provided a breakdown of the charges Ms K incurred which consist of Atlanta's charges and also the insurance premium charged by the insurer. Ms K said that she is not complaining about the premium. This is not something I would have been able to consider in this decision in any event as this decision is against Atlanta and not the insurer. From what I have seen a pro-rata refund was paid back to the insurer via the finance company and from what Ms K has said, though she was initially receiving letters from that company chasing her for the outstanding premium, she is no longer receiving those. Therefore, I take it that she is not being chased for the premium. So what remains seems to be made up of Atlanta's charges. If Ms K is later chased for any outstanding amount by the insurer or by a debt collector/credit agreement company on its behalf she will have to complain to that insurer.

I also appreciate there is some confusion as to the outstanding balance of £55.12 and whether this is the cancellation fee. To clarify, there is a £50 cancellation fee but the £55.12 also consists of other charges. Our Investigator treated these as separate issues but as I have explained to the parties I have decided to deal with them in the same decision in order to resolve the matter more quickly. And I note this is something Atlanta had requested itself.

There is also some confusion as to the deposit Ms K paid at the start. She said this was £87 but Atlanta has shown that this was £113.79 and it included a £40 administration fee for the policy to be set up.

Atlanta's terms

Atlanta has provided its terms of business which say that a £50 charge will be applied if the policy is cancelled after the initial 14 days. They also say that a £50 charge will be applied if the cancellation is within the initial 14 days but is due to failure to validate identity or failure to disclose any claims.

The events that led to the complaint

Ms K took her policy out on 4 April 2022 through a price comparison website. Atlanta emailed her two days later asking her to get in touch in order to clarify her previous claims history.

Ms K and Atlanta spoke on 7 April and twice on 14 April in relation to Ms K's previous claims. Ms K told Atlanta that she didn't remember her previous claims so Atlanta asked her to call one of her previous insurers, C, to go through those. Ms K spoke to C and provided Atlanta with a letter in relation to one of the claims which was recorded for "notification only" purposes. The letter added that as no claim was made it was later closed. In her discussions

with Atlanta, Ms K also mentioned that some of the other incidents were single vehicle parking incidents at work which weren't her fault and which she was told did not affect her no claims discount.

Atlanta said, ultimately, the information provided by C confirmed the information it had come across. And that this meant that Ms K's premium would increase which is what made Ms K decide to cancel the policy. The policy ceased on 18 April.

The crux of Ms K's complaint, as I understand it, is whether she should be charged the £50 cancellation fee/ pay the £55.12 outstanding balance. Our Investigator said it was for Atlanta to contact Ms K and tell her what her new premium would be when Ms K sent over the information from C on 14 April. And that had it done so Ms K would have cancelled her policy immediately and this would have been within the 14 day cooling off period. She would therefore not have incurred the £50 fee. I agree, and I say this because Ms K did cancel her policy as soon as she was told what her additional premium would be. And I don't think she had the information necessary to make a decision on whether she wanted to cancel or not until she spoke to Atlanta about the recalculated premium.

Atlanta says it wanted to give Ms K time as she was disputing the information it had come across in relation to her previous claims, saying she didn't remember them. It also said that when it spoke to Ms K on 14 April it told her it would have to speak to C directly but it couldn't do so without Ms K's authority. And that it had called C but it wouldn't release any of this information to it. Ms K later told us she did give authority to C to speak to Atlanta but as far as I am aware the two companies didn't speak again. Our Investigator said there was no longer a need for Atlanta to speak to C in any event as Ms K emailed over C's information to Atlanta on the same day. I agree and though I understand what Atlanta is saying, ultimately, from what I understand it was able to tell Ms K what her new premium would be without speaking to C. And it did this on 18 April when Ms K called Atlanta herself as she hadn't heard back. So I think it could have also done this on 14 April when it had the information from C. And if it had done that Ms K would have cancelled within the 14 day period.

Atlanta said that irrespective of when Ms K cancelled her policy, she would have still incurred the £50 charge because, as per its terms, her cancellation was due to her not providing correct information in the first place. I have considered this and I don't think it would be fair, in these very specific circumstances, to allow Atlanta to rely on this term. I have taken into consideration what Ms K said about her previous claims and the fact that she was told they didn't affect her no claims discount and that they were single vehicle incidents. And also the fact that Ms K was very quick to get back to Atlanta and liaise with C to get further clarification. But even if I didn't, I think an overall charge of £90 (including the £40 set up fee) for a policy that was only valid for 15 days is, in the circumstances, high. I think £40 is more reasonable.

Ms K initially said she wanted a refund of her deposit but as this would have included part of her premium I will not be asking Atlanta to pay this back. But I have borne in mind that it included the £40 set up fee which I considered above.

Our Investigator said Atlanta should also pay Ms K £50 compensation for the distress and inconvenience it caused her for the delays it caused and also for the chasing Ms K had to do. I think this is reasonable but as I am asking Atlanta to stop chasing its £55.12 balance I have decided that it should pay £44.88 compensation to Ms K instead.

My final decision

For the reasons above, I have decided to uphold this complaint and direct ATLANTA 1 INSURANCE SERVICES LIMITED to stop chasing Ms K for the outstanding balance of

£55.12 and to pay her £44.88 for the distress and inconvenience it caused her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K to accept or reject my decision before 2 February 2023.

Anastasia Serdari
Ombudsman