

The complaint

Miss B complains about the charges applied by Somerset Bridge Insurance Services when she cancelled her car insurance policy.

What happened

Miss B bought a car insurance policy through an aggregator site. The broker for the policy was Somerset Bridge with the insurer being a separate company.

Just over two weeks later, Miss B decided to cancel the policy. She called Somerset Bridge to check it had received the cancellation. Somerset Bridge hadn't received it and so offered to put the request in over the phone. During the call Miss B asked if she'd receive a refund as she'd paid a deposit of around £250. The advisor let Miss B know there would be a £75 cancellation fee and that she would receive a refund of around £57. Miss B went ahead with the cancellation.

Miss B later received the cancellation confirmation which explained she owed Somerset Bridge just under £350. Miss B didn't think this was fair and complained. She said during the call she'd been told she would get a refund and so didn't understand why she was now being told she owed Somerset Bridge money.

Somerset Bridge reviewed the complaint and partially upheld it. It said the fees and charges applied were in line with the terms of business, which Miss B had agreed too. The breakdown of charges are: insurance premium of £129.78, cancellation fee of £75, direct debit set up fee of £50 and broker fee of £347.93. However, due to the incorrect information given in the call Somerset Bridge agreed to waive the cancellation fee and pay £25 compensation. It therefore reduced the amount Miss B owed by £100.

Miss B didn't agree with Somerset Bridge's response and referred her complaint here. She said she'd cancelled the insurance as she couldn't afford it and was never informed of the broker fee. Miss B explained if she'd been told about it before then she would never have bought the policy.

Our investigator looked into the complaint and recommended it be upheld. She found that Somerset Bridge hadn't sufficiently justified charging the broker/arrangement fee and recommended it be removed. This meant that when Miss B cancelled her policy, she should only be charged the cancellation fee of £75. She also recommended that Miss B is paid £100 for the distress and inconvenience caused.

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 reviewed the charges Somerset Bridge has applied and reviewed whether they're in line with the terms of business. In doing so I'm not persuaded it's acted fairly and reasonably in charging a broker fee of £347.93. I say this because the terms of business say under the

heading “Annual policy arrangement fee”:

“The fee payable will be dependent on the insurer who the business is being placed with. The fee is calculated as a percentage of insurer calculated premium and the result of individual risk calculations based on data collected at the time of quoting and throughout the life of your policy if at renewal. This could result in variations of the overall price when comparing new quotes and renewals. The monetary amount of any such fee will be disclosed to you prior to you purchasing/renewing the policy.”

Somerset Bridge has provided a document which it says Miss B would have seen before taking out the policy. Within this it says: “Arrangement fee £347.93”. I’ve reviewed this and while I agree this does show the arrangement fee, I’m not satisfied the document provided shows this was sufficiently brought to Miss B’s attention before she bought the policy, or that it would be charged in full if she cancelled it. I say this because it’s not clear how the document was presented to Miss B or whether she had to agree to it before proceeding through the sales journey. Even if it was presented in a way which was clear, I’m still not persuaded it’s fair and reasonable for Somerset Bridge to charge it in this particular case.

I say this because our investigator asked Somerset Bridge to justify the arrangement fee. This is because it’s fair and reasonable for Somerset Bridge to charge proportionately for the work it does. Somerset Bridge explained Miss B had agreed to the fee and knew it would be charged, even if she cancelled the policy. It also said it’s unable to amend the arrangement fee if Miss B’s policy required more work, then it initially charged for. I’ve considered Somerset Bridge’s response, but it hasn’t persuaded me it’s charged proportionately for the arrangement fee. This is because it’s not explained what work was needed for Miss B’s policy to justify an arrangement fee of almost £350. I’m therefore not satisfied it’s fair and reasonable for Somerset Bridge to charge it.

To put things right Somerset Bridge needs to refund the £347.93 arrangement fee to Miss B. It should also stop any debt recovery action it may have started and arrange for any adverse markers related to this debt to be removed from any internal or external databases. In regard to cancellation fee and direct debit set up fee, these are in line with fees I’ve seen on other policies and, as Miss B hasn’t raised a concern about these, I’m not going to interfere with Somerset Bridge charging them. The amount charged by the insurer for the time on risk isn’t something I can comment on in this decision as it’s charged by the insurer, not Somerset Bridge.

I’ve also considered the impact on Miss B by charging this fee and threatening debt recovery action. Miss B has explained she cancelled the policy due to not being able to afford it. She was then pursued for a debt she shouldn’t have been chased for. I’m satisfied the £100 for distress and inconvenience recommended by our investigator is fair and reasonable. Therefore, Somerset Bridge also needs to pay Miss B £100 for the unnecessary distress and inconvenience its caused.

My final decision

For the reasons explained above, my final decision is that I uphold this complaint. I require Somerset Bridge Insurance Services to refund the £347.93 arrangement fee to Miss B and pay her £100 for distress and inconvenience. Somerset Bridge Insurance Services also needs to arrange to have any adverse markers removed from any internal and external databases which relate to Miss B not paying the arrangement fee.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 7 December 2023.

Alex Newman
Ombudsman