

The complaint

Mr M complains that Atlanta Insurance Intermediaries Limited (Atlanta) applied unfair charges after the cancellation of his motor insurance policy.

What happened

The background of this complaint is known in detail to the parties involved so I'll summarise what I've found to be the key points.

- Atlanta (a broker) arranged Mr M's motor insurance policy and sent him his policy documents for the cover along with its terms and conditions.
- Some weeks later, Mr M sold the insured vehicle and sent a letter to Atlanta requesting cancellation of his policy. Mr M had 25 days on cover before cancellation.
- Atlanta set out the cancellation charges Mr M had to pay, which included a pro rata payment of the annual policy premium for the time Mr M was on cover along with Atlanta's non-refundable arrangement and cancellation fees. It sent Mr M the following breakdown of these charges:
 - £122.95 – charge for time on cover
 - £75.00 – non-refundable arrangement fee
 - £50.00 – non-refundable cancellation fee
 - £247.95 – total cost of cover
- At the time of cancellation, Mr M had already paid a deposit of £164.73 towards his annual premium. So Atlanta deducted this from the total cost of cover set out above, leaving an outstanding balance to be paid by Mr M of £83.22.
- Mr M disagreed with Atlanta's calculations. He said the cancellation and arrangement amounts had already been covered in the deposit he'd paid, and that Atlanta's calculation for the cost for time on cover was incorrect as it was more than his monthly premium when in fact, he'd only been on cover for 25 days.
- Mr M brought a complaint to this Service. Our Investigator didn't uphold it as he was satisfied the charges were fair. Mr M disagreed so the case was passed to me to make a decision.

I issued a provisional decision on this case in November 2023. I've included part of what I said in this below.

"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'm minded to uphold this complaint in part. I'll explain why.

In arranging and cancelling Mr M's policy, administrative tasks would've been carried out by Atlanta. And it's not unusual for it to charge certain fees for these tasks. But these must be reasonable and applied fairly.

Mr M disagrees that he should have to pay more than the deposit he's already paid to Atlanta upon cancelling his policy. He says that had he known Atlanta would be requesting more than this amount from him, he could've looked for an alternative policy or left the vehicle off road, as he didn't need to drive it and intended to sell it.

I take Mr M's point on board, but given he's said he didn't need to drive the car it's unclear why he didn't do just that instead of taking out a policy. The fact that he took cover persuades me that he most likely wanted cover to continue using the vehicle for the time that he did. And as brokers/insurers often charge cancellation and administration fees, it's unlikely he would've avoided these types of costs elsewhere seeking out a similar policy.

I understand that a welcome letter and Atlanta's terms of business were emailed to Mr M on the day he took out the policy. From what I've seen, these documents set out the £75 arrangement fee and £50 cancellation charge along with the fact they're non-refundable and that they apply to Mr M's policy.

These charges are broadly in line with what I've seen brokers charge for their time and costs in administering a policy and were set out in the terms and conditions that were sent to Mr M and that he was told to read. So based on what I've seen so far in this particular case, I'm not persuaded they're unreasonable and I think they've been fairly applied.

Mr M has also been charged for the time he was on cover. From what I've seen, Atlanta seems to have calculated this by deducting the premium refund the insurer has allowed from the total cost of Mr M's annual policy premium, arriving at a figure of £122.95.

Atlanta says the amount appears higher than Mr M expects because the annual premium of £1098.21 that was quoted to Mr M in his policy documents included a broker discount of £250.54 (as well as the £75 arrangement fee). But as per its terms of business, if the policy is cancelled after fourteen days, any broker discounts are reversed prior to cancellation.

Therefore, without the discount it gave him, Atlanta says Mr M's policy actually cost £1273.75, minus the insurers premium refund of £1150.80 equates to £122.95 left to pay for the time on cover. Mr M thinks this is unfair. In principle, I don't think this sort of term would be inherently unfair providing it was sufficiently drawn to Mr M's attention in the terms and conditions he agreed to. But from what I've seen so far, I'm not persuaded it was.

I say this because, while the terms and conditions I've seen do state that any broker discounts will be reversed prior to cancellation, they don't specify whether Mr M's specific policy has benefitted from such a discount and if so, the amount involved. It seems Atlanta was aware of the discount amount applied to Mr M's policy. And it makes a notable difference to his premiums and in turn the amount he would pay on cancellation. So, I think it could and should have been brought to his attention by Atlanta when he took the policy out to allow him to make an informed choice.

By failing to do this I don't think Atlanta has met its obligation of providing Mr M with information that's clear, fair and not misleading. So based on what I've seen so far, I'm not currently persuaded that it's reasonable for Atlanta to apply the reversal to the discount it gave Mr M in this case. And therefore, I'm minded to conclude that Atlanta's calculation for time on cover should be based on the premium it quoted to Mr M, which by my calculations would leave an amount outstanding of £30.27. I've set out my calculations below:

- £1,098.21 minus £75.00 arrangement fee, equals a policy premium of £1,023.21.
- £1,023.21 divided by 365 days equals a daily rate of £2.80.
- £2.80 multiplied by 25 days equals £70.00 for the time Mr M was on cover.

- £70.00 plus the £75.00 arrangement fee and £50.00 cancellation charge equals £195.00 for the total cost of cover.
- £195.00 minus the £164.73 already paid by Mr M leaves £30.27 outstanding.

Unless Atlanta or Mr M provide me with evidence in response to this decision that persuades me otherwise, I'm likely to direct Atlanta to reduce the amount it seeks to recover from Mr M in this case from £83.22 to £30.27. And conclude that Atlanta's pursuit of this remaining sum is fair and reasonable in these circumstances."

Both parties were given a chance to respond. Atlanta said it had nothing further to add but Mr M disagreed with my findings.

In summary, Mr M maintains that he shouldn't have to pay anything more than he's already paid to Atlanta as this should more than cover the cancellation and administration fees as well as the cost for time on cover. He says that other companies have waived cancellation charges for him in the past whereas Atlanta sent him generic correspondence chasing the payment owed and threatened to take action if it wasn't paid.

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.

As set out above, Mr M provided comments in response to my provisional decision. I can assure Mr M that I've fully considered what's been said, but it hasn't changed my mind in this case. I'll explain why.

It's worth noting my decision isn't based on how other businesses have handled policy fees and charges with Mr M in the past. I can only consider Atlanta's actions in this case. And while I note Mr M's strength of feeling that he's paid enough to Atlanta, my provisional decision already considered this and set out the applicable charges, why I thought these were fair and what this meant for the amount Atlanta seeks to recover from him in this case. Mr M hasn't told me anything further that changes these findings.

Mr M is unhappy with how Atlanta communicated with him regarding the monies owed and says the situation has caused him a lot of stress, which I was sorry to hear. But there is an amount outstanding to Atlanta from Mr M. And from what I've seen, it sought recovery of this by alerting Mr M to this fact and to the potential consequences of not paying the monies owed. This isn't unusual or unreasonable in the circumstances of this case, so these points don't change my conclusion.

It follows, after considering Mr M's response to my provisional decision, my conclusion remains unchanged. Therefore, I think it's fair that Atlanta reduces the amount it seeks to recover from Mr M in this case from £83.22 to £30.27.

My final decision

For the reasons set out above my final decision is that I uphold this complaint in part and direct Atlanta Insurance Intermediaries Limited to reduce the amount it seeks to recover from Mr M in this case to £30.27.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 13 December 2023.

Rosie Osuji
Ombudsman