

The complaint

B, a limited company, complains about the amount charged by One Sure Insurance Limited when his commercial motor insurance policy was cancelled. The complaint is brought on B's behalf by Mr B, its director. He wants a higher refund of his premium.

What happened

One Sure said Mr B asked to cancel his policy after five weeks on cover. The total charge was £908.48. One Sure waived its cancellation and refund charges. So Mr B paid the insurer's charge for his time on cover and One Sure's charge for its loss of commission. But Mr B was unhappy with this.

Our Investigator recommended that the complaint should be upheld. He thought the charges had been made clear when Mr B took out the policy. He didn't comment on the insurer's charge. But he thought the charge for loss of commission was disproportionate to the amount of time Mr B was on cover. So he thought One Sure should only charge Mr B for its loss of commission on a pro-rata basis.

Mr B replied that he hadn't cancelled the policy, but it had been cancelled without a valid reason. One Sure replied that its charges had been made clear when Mr B took out his policy. It asked for an Ombudsman's review, so the complaint has come to me for a final decision.

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.

From what I can understand the underwriters of Mr B's policy requested One Sure to cancel it with seven days' notice when Mr B hadn't co-operated with its requests. But, from the evidence I've seen, Mr B cancelled the policy himself before the seven days had elapsed.

Mr B said it wasn't his decision to cancel the policy. I can understand that he may feel he was forced to cancel the policy. But I can't consider that here as the decision was made by the policy's underwriter and that's a separate business to One Sure, the policy's broker. So if Mr B considers that his policy was cancelled unfairly, then he would have to make a separate complaint to the insurer about this.

But, as our Investigator has already explained, having the policy recorded as cancelled by himself is more beneficial to Mr B than having it recorded as cancelled by the underwriter, as long as it was fairly cancelled.

So Mr B may need to consider this and the effect disclosing a cancellation will have on future premiums if he complains to the underwriter about this and it changes how the cancellation is recorded.

One Sure said the charge applied for the cancellation was for the time on cover. When Mr B complained, it waived its £85 cancellation fee and £5 refund fee. So Mr B was then asked to pay £810.98 for his time on cover. This included £408.08 for the insurer's charge, which I can't comment on here. And £402.90 for One Sure's loss of commission.

Our approach is to look at whether the cancellation charges and other non-refundable fees are fair, as businesses have to treat all customers fairly. So I've looked to see if it was fair for One Sure to retain 88% of the commission Mr B paid when he took out his policy after it was cancelled after five weeks on cover.

I'm satisfied that One Sure provided Mr B with its terms of business at the point of sale. He signed these and sent them back to it. So I think Mr B was reasonably aware that charges would be applied on cancellation.

The terms of business stated that in the event of cancellation One Sure was entitled to retain the commission. But I can't see that One Sure stated the amount it would retain or what commission Mr B had paid for his policy, though it said Mr B could ask it if he wanted to know. I don't think this was fair or reasonable.

One Sure didn't charge Mr B an arrangement fee when he took out his policy. And I think it's fair for it to deduct an amount to cover the cost of setting up the policy as it hasn't charged a separate fee for this.

Our Investigator thought it was fair for One Sure to charge Mr B an amount that reflected the administrative work it had undertaken in the period he was on cover. He suggested this should be a pro-rata amount of the commission Mr B paid calculated for his time on cover. I'm satisfied that's a fair and reasonable approach in Mr B's circumstances to reflect the very short time he was on cover.

Putting things right

I require One Sure Insurance Limited to charge B the loss of its commission on a pro-rata basis and refund him the difference.

My final decision

For the reasons given above, my final decision is that I uphold this complaint. I require One Sure Insurance Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 2 April 2024.

Phillip Berechree
Ombudsman