

The complaint

Mr L complains about the standard of service, and the premium refund he received from Insurance Factory Ltd (Insurance Factory) after he requested cancellation of his motor insurance policy.

What happened

Mr L set up an insurance policy for his classic car in March 2023 with Insurance Factory acting as his broker. In June he contacted the business to change the car he had listed on his policy. Insurance Factory told him it couldn't insure his new car on this policy.

Mr L discussed cancelling the policy. However, he wasn't happy with the cancellation fees, or the premium refund he'd receive. Mr L advised that the policy should continue. At the beginning of August 2023, he noticed an error with a telephone number detailed in his policy documents. Mr L contacted Insurance Factory and asked for a full refund because of this error.

In its complaint response in June 2023 Insurance Factory says Mr L's insurer's underwriting criteria wouldn't allow his new vehicle to be added to his classic car policy. An alternative policy was offered but it says Mr L didn't want to insure through Insurance Factory anymore. Cancellation was discussed during a call on 20 June and a refund for £5.58 was confirmed. Insurance Factory says the matter was then referred to its in-house underwriters. A revised premium refund for time on risk was then offered to Mr L the following day. This was for £64.64.

On 3 August 2023 Insurance Factory says Mr L called again as he'd noticed an error with a phone number listed in his policy documents relating to a salvage company. It acknowledged this mistake and says it was corrected, and confirmation provided to Mr L. Insurance Factory says this didn't affect the policy cover and because of the time elapsed from inception there was no option for Mr L to cancel and receive a full refund of his premium.

Insurance Factory says Mr L's insurer later advised that it would've agreed to a pro-rata refund as his new car didn't qualify for cover under its classic car policy. It says this refund was then applied from 20 June 2023. This is when Mr L first notified Insurance Factory of the change. A premium refund of £114.65 was agreed. Insurance Factory says it also waived its £50 fee for cancellation outside of the 14-day cooling off period.

Mr L didn't think he'd been treated fairly and referred the matter to our service. Our investigator upheld his complaint. He says cancellation, although discussed, wasn't confirmed by Mr L until 3 August 2023. Our investigator thought it was fair that Mr L's insurer agreed to cancel the policy as of 20 June 2023. But he says Mr L shouldn't have received further correspondence about the policy when he'd already given instructions to cancel in August.

Our investigator says Insurance Factory should ensure a premium refund backdated to 20 June 2023 is provided. This should include 8% simple interest from 3 August until this payment is made. He says the policy should be recorded as cancelled by the consumer and

Insurance Factory should pay Mr L £200 compensation for the impact its delays and poor service had on him.

Insurance Factory didn't accept our investigator's findings. It didn't think £200 compensation was warranted on top of waiving its cancellation fee. Because it disagreed it asked for an ombudsman to consider the complaint.

It has been passed to me to decide.

I issued a provisional decision in January 2024 explaining that I was intending to not uphold Mr L's complaint. Here's what I said:

provisional findings

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, my intention is to not uphold this complaint. I'm sorry to disappoint Mr L but I'll explain why I think my decision is fair.

Insurance Factory has supplied the underwriting criteria relevant to Mr L's classic car policy. This information is considered commercially sensitive so I can't share it. But it does show that the car he wanted to insure in June 2023 couldn't be covered under his existing policy. Insurance Factory offered alternative cover when this was identified. I think this was fair.

I've read the Terms of Business document Insurance Factory sent to Mr L. This explains that cancellations outside of the 14-day cooling off period result in a £50 cancellation fee, in addition to the charges applied by Mr L's insurer. It says practices vary between insurers regarding premium refunds and refers to Mr L's policy documentation. The Terms of Business document says that any optional extras will be cancelled at the same time and premiums may not be refundable.

I've looked at the cancellation section of Mr L's policy booklet. It provides a chart that shows the premium refund his insurer will provide, dependent upon the time spent on risk and the agreed mileage for the policy year. Based on this information I can see that Mr L was due a 30% premium refund.

Insurance Factory has provided a breakdown of the charges raised. This shows Mr L was initially told he would receive a refund totalling £5.58. The business has provided the following information:

<i>Time on cover</i>	<i>£129.70</i>
<i>Legal protection</i>	<i>£34.95</i>
<i>Breakdown cover</i>	<i>£54.95</i>
<i>Salvage Retention</i>	<i>£30.00</i>
<i>Agreed Valuation</i>	<i>£18.00</i>
<i>Arrangement fee</i>	<i>£49.50</i>
<i>Cancellation fee</i>	<i>£50.00</i>
<i>Total</i>	<i>£367.10</i>

Mr L paid £372.68. This meant he was due a refund of £5.58. The records show this is what was communicated to him. The cancellation terms for Mr L's policy say:

“..In the event of cancellation of your main policy, any optional extras that have been

purchased will be cancelled at the same time (whether or not they are included in your main policy or covered under a separate policy) and premiums may not be refundable.”

I've not seen evidence to show the refund confirmed to Mr L was incorrect.

The records show Insurance Factory's agent contacted Mr L's insurer shortly after he'd called to change his car in June 2023. The insurer confirmed it was willing to provide a pro-rata refund of its premium because its underwriting criteria meant it was unable to insure Mr L's new car. This was backdated to when Mr L called to add his new car. Insurance Factory has shown that this resulted in a reduced charge for time on cover down to £70.64 from £129.70. This meant the refund Mr L was due to receive increased to £64.64.

The claim records indicate Mr L didn't accept the refund offered by Insurance Factory. The records also show he asked for the policy to remain in force.

In August 2023 Mr L noticed there was an error with a phone number listed in his policy documents. This related to a salvage company. I've listened to a call recording where Mr L explains to Insurance Factory's agent that if any error is made with the information he's provided with, he should be allowed to cancel the policy and receive a full refund. The records show the error was rectified and Mr L was informed of the correct information.

I've thought carefully about Mr L's view that he's entitled to a full refund of his policy premium. But I don't agree. Mr L's policy wasn't impacted by the incorrect phone number having been listed in his documents. He's benefitted from having this cover in place. I'm not aware of any reason that Mr L should receive a full refund of his premium in these circumstances. So, I don't think this is something Insurance Factory should reasonably have to provide.

Mr L says he continued to receive correspondence after he'd given instructions for his policy to be cancelled. I note Insurance Factory's comments that Mr L contacted his insurer to complain. The insurer subsequently contacted Insurance Factory to confirm Mr L's cancellation instructions. But as he'd previously confirmed that he wanted his policy to remain in force Insurance Factory asked for confirmation that he wanted to cancel.

I've thought about Mr L's comments that he continued to receive correspondence from Insurance Factory regarding the cancellation of his policy. But from what I've seen he'd told the business his policy should remain in force. He may have given different instructions to the insurer, but I don't think it was unreasonable for Insurance Factory to ask for clarification of this. The ramifications in the event Mr L made a claim with no cover in place, could've been significant.

I can see that Insurance Factory agreed to waive its £50 cancellation fee. This meant Mr L's refund totalled £114.65. In the circumstances I think this was fair. But I don't think a further payment is warranted.

I said I was intending to not uphold Mr L's complaint.

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

Insurance Factory didn't respond with any further comments or information for me to consider.

Mr L contacted us to clarify that my intention was to not uphold his complaint. This was confirmed to him. He didn't provide any further comments or information for me to consider.

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 neither party has made any further submissions or provided further evidence for me to consider, I see no reason to change my provisional findings.

So, my final decision is the same as my provisional decision and for the same reasons.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 12 March 2024.

Mike Waldron
Ombudsman