

The complaint

Mr D complains that Extracover Insurance Company Limited wouldn't refund his premium when he cancelled his motor insurance policy after a few hours.

What happened

Mr D took out a short-term policy online for his scooter with Extracover and he paid for it in full. He wanted a social use policy, but he realised later that this was also a food delivery policy. Mr D cancelled the policy, but he didn't receive a refund of his premium. Mr D was unhappy with this.

Our Investigator didn't recommend that the complaint should be upheld. She thought Extracover had brought the policy's terms and conditions to Mr D's attention during the purchase of the policy. She thought a non-refundable cancellation wasn't unreasonable for a short-term policy. And so she thought Extracover hadn't acted unreasonably in declining to refund the premium when Mr D cancelled the policy.

Mr D replied asking that Extracover provide him with a credit note or voucher for future use, as a gesture of goodwill. But Extracover declined to do this. As Mr D didn't agree, 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.

Mr D has explained that the loss of the premium had a significant effect on him. And I was sorry to hear this. He also said he made an honest mistake when he selected the wrong sort of policy, and I have no reason to doubt this. And he said he hadn't used the policy at all, so I can understand that he feels frustrated by Extracover's refusal to refund the premium.

Our approach in cases like this is to consider whether the insurer's acted in line with the terms and conditions of the policy and fairly and reasonably.

I can see that the policy Mr D bought was for Social, Domestic and Pleasure (SDP) and Business Use Hire and Reward (fast food delivery and parcel / package delivery). The policy was live for about three hours until Mr D cancelled it because he just wanted SDP use.

Mr D has told us that he understands that the policy contained a condition that for 30 day policies, such as this, there was no refund of premium on cancellation.

I think this is a common condition in short-term motor insurance policies, and I don't find it unusual or unreasonable, but it is significant, and I would expect it to be set out in the policy wording and in the summary document.

And I can see that this is set out in the Insurance Product Information Document (IPID):

"30-day policies:

You may cancel your policy at any time but there will be no refund available as this is a short term policy."

And also on page 15 of the policy booklet under Cancellation. Mr D also had to read and agree to this condition when he made his purchase journey online. He was then told that there was no cooling-off period, and no refund would be given on cancellation. So I think the policy's condition was reasonably drawn to Mr D's attention before he bought his policy.

We think it's reasonable for short-term policies to contain this condition because they are a higher risk to insurers because of late-notified claims. The condition was brought to Mr D's attention before he bought the policy and it's clearly set out in the policy documents. Mr D could have made use of the policy for SDP use, his stated purpose. So I can't say that it was unfair or unreasonable for Extracover to decline to refund the premium.

Mr D asked Extracover, as a gesture of goodwill, to provide him with a voucher or credit note for future cover. But it declined to do this. I can't say that this was unfair or unreasonable as it's outside the policy's terms and conditions and I'm satisfied that Extracover acted fairly and reasonably when it retained the premiums on cancellation.

My final decision

For the reasons given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 20 May 2024.

Phillip Berechree
Ombudsman