

## **The complaint**

Mr E complains about the amount Freeway UK Insurance Services Limited (“Freeway”) has charged him when he cancelled a commercial motor insurance policy.

## **What happened**

When cancelling his policy Mr E was charged set up and cancellation fees as well as being charged for commission lost by Freeway. Mr E didn’t think the amount charged was reasonable and therefore he complained.

Freeway confirmed that it was entitled to charge the amounts it had as these were set out in its terms of business which Mr E agreed to.

Our investigator looked at the complaint and said Freeway had reasonably charged the set up and cancellation fees, but he didn’t think Freeway had provided clear information about the lost commission charge. He said he didn’t think that when taking out the policy Mr E was provided with sufficient information which would have allowed him to understand or be able to calculate himself the likely amounts he would be charged for lost commission, should he cancel the policy early. He said Freeway wasn’t therefore entitled to charge Mr E the lost commission.

Freeway disagreed with the investigator’s opinion and asked for an ombudsman to review the complaint. In doing so it said it sets out its position on commission earned, in line with regulations and therefore it doesn’t believe it has acted incorrectly. Its terms of business invite customers to contact it should they wish to know how much commission is earned on their particular policy – so it was open for Mr E to do this, but he didn’t. It also adds that it works with many insurers and therefore it isn’t possible to provide such detailed information.

The case has been passed to me to decide.

## **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.

Having done so, I agree with the conclusions reached by the investigator for the following reasons:

- There is a duty on insurers to provide information that is clear, fair and not misleading.
- The terms of business set out that a setup fee and cancellation fee are payable, and it also sets out what these may be. I’m satisfied therefore that Freeway has fairly charged these amounts and that Freeway did enough to bring them to Mr E’s attention.
- Freeway has said it makes it clear that it receives commission from insurers and that customers can contact it to ask how much that is on their policy. While that may be

the case, in this complaint it's not the commission disclosure which is in question, it's the amount Freeway will retain when the policy is cancelled.

- It's not uncommon for brokers to charge for lost commission when a policy is cancelled early, however if they do so, we would generally expect a customer to be provided with information that would allow them to understand/or be able to easily calculate themselves (before agreeing to purchase the policy), the likely costs of cancelling a policy early.
- While the terms of business mentions commission is fully earned from the date the policy starts and may not be refundable, this isn't a certainty or does it provide any indication that any lost commission may actually be charged to the customer on early cancellation. The fees and charges table which is provided also doesn't provide a way of understanding that lost commission may be charged on cancellation, either by expressing it as a percentage of the original amount or as a specific monetary amount.
- Freeway has said it invites customers to contact it should they wish to know the amount of commission earned on their policy. That maybe the case but without additional information being provided, a customer will still not be able to understand any lost commission maybe charged to them on early cancellation of the policy or how much that might be.
- As Freeway didn't provide clear information about commission being retained on early cancellation of the policy I don't think it is fair or reasonable for it to charge that amount (stated as £224.01) to Mr E.

For the reasons above, I uphold this complaint. I don't think Freeway provided clear, fair and not misleading information about the lost commission that would be charged upon early cancellation, at the time Mr E was making the decision to buy the policy.

Mr E's concerns about how much he was charged for the time he was covered would be for the insurer to address. Similarly, any concerns Mr E had about how the insurance was financed would be something Mr E would need to raise separately either with the broker of the policy or the finance company itself.

### **Putting things right**

It is unclear if Mr E has paid the outstanding amount Freeway has asked for so to put things right Freeway should either,

- remove the lost commission charge from any outstanding amount Mr E owes or,
- if Mr E has already paid that amount Freeway should refund the lost commission charge paid plus interest at 8% simple per annum from the date Mr E paid the amount to the date of settlement.

### **My final decision**

My final decision is that I uphold Mr E's complaint against Freeway UK Insurance Services Limited. I direct it to put things right as I have set out in the section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 27 June 2024.

Alison Gore  
**Ombudsman**