

The complaint

Mr M is complaining about the way Nowell & Richards Insurance Services Limited (“N & R”) handled the cancellation of his home and motor policy.

What happened

Mr M had home and motor insurance policies through N & R – a broker. They renewed in February 2023, with an annual premium paid.

Mr M had just moved into a new property at the time of renewal. They say the renewal was based on the new property details and subject to a property appraisal by the insurer.

Mr M says this didn’t happen until April 2023 and that he was unhappy with the sum insured level set. Which meant an additional premium was required. He provided other quotes, included from the original builder, which he said showed the figure should be lower.

Mr M remained unhappy and the policies were eventually cancelled in July 2023. Mr M received what N & R said was a proportionate premium rebate. However, they were claiming back commission from him which they said they were entitled to under the terms and conditions.

Mr M brought his complaint to our service for an independent review. He said N & R were acting unfairly with the commission claw-back and that the premium rebate was unfair. He said he’d been left with no option but to cancel due to an error with the sum insured. Our investigator didn’t think N & R were fair in clawing back the commission. He said the terms and conditions hadn’t made this sufficiently clear.

Mr M accepted the view of the investigator but N&R didn’t. They said they had acted fairly and as no agreement was reached, 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 outcome reached by the investigator. Let me explain why.

Firstly, I note how long this took. Mr M made N & R aware of the new property just prior to the February renewal. The appraisal doesn’t appear to have happened until the April and the cancellation and refund not until July and September.

However, I haven’t seen enough to conclude that N & R were responsible for this or any avoidable delays. The appraisal was the responsibility of the insurer, as was the time taken to consider any change to the sum insured.

I believe Mr M has received a pro-rate refund of premiums for the time he won’t be on cover. Any complaint about this amount or the decision not to reduce the sum insured is the responsibility of the insurer.

N & R have clawed back over £2,000 in commission from Mr M. This is the amount they were to receive for selling the policy, which they didn't after it was cancelled. They believe they were still entitled to do so under their terms of business which state, they will claw back the "*full amount of their commission*" if Mr M cancelled the policy mid-term. However, I don't think this made it sufficiently clear to Mr M and so they haven't treated him fairly with the claw-back.

I say this because whilst they make Mr M aware in the terms of business they will do this, they don't make him sufficiently aware of the amount involved. They say "*full amount*", but Mr M isn't told what this is. He therefore wasn't aware of the full implication of cancelling, or of renewing the policy subject to appraisal.

If Mr M was made fully aware of the commission involved and that it would be clawed back if he cancelled the policy after the 14-day cooling off period, I don't believe he would have renewed the policy or he would have cancelled within the cooling off period when the appraisal was taking so long. To save a claw-back of over £2,000.

I therefore think they should refund this amount to him and pay him £100 compensation, which covers the impact and loss of use of these funds.

I note Mr M was also charged a cancellation amount. I don't believe he had complained about this but I can see this is clearly and fairly explained in the terms of business so I don't find that N & R need to refund this amount.

In summary, whilst I don't find N & R responsible for the time the appraisal took or to refund Mr M, I don't think they gave him clear information about the commission clawback and the implication for cancelling outside of the cooling off period. I think they should refund this amount and compensate him £100 or the impact and not having use of these funds.

My final decision

My final decision, is that I uphold this complaint. Nowell & Richards Insurance Services Limited should refund any commission they clawed back from Mr M (quoted as £1,968.30 and £76.20) and pay him £100 for the inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 7 October 2024.

Yoni Smith
Ombudsman