

## **The complaint**

Mrs S has complained about the amount Somerset Bridge Insurance Services Limited charged when it cancelled her car insurance policy.

Somerset Bridge was operating under one of its trading names when it did this, but I have referred to Somerset Bridge in this decision.

## **What happened**

Mrs S forgot to provide the documents required by Somerset Bridge to validate her policy. This was despite her receiving reminders, including one saying it would cancel her policy if she didn't provide the documents by a certain date. Mrs S didn't provide the documents, so Somerset Bridge cancelled her policy. Having done so, it said she still had £165.30 to pay.

Mrs S thought what she'd been charged for the policy was excessive and complained to Somerset Bridge. It agreed to reduce the debt by £50, but this still left Mrs S with £115.30 to pay. Mrs S remained dissatisfied. So Somerset Bridge agreed to reduce the debt by a further £25; leaving Mrs S £90.30 to pay. Mrs S told Somerset Bridge she was unwilling to pay this amount. So it issued a final response in which it said that in effect it had waived its £75 cancellation fee by reducing the debt to £90.30 and it wasn't willing to reduce it any further. It told Mrs S she needed to pay this amount or it would appoint a debt collection agency to pursue her for it. And it did this and the agency has recently threatened Mrs S with court proceedings to recover the debt.

Mrs S asked us to consider her complaint. One of our investigators did this. She initially said that it wasn't appropriate for Somerset Bridge to charge what she described as an 'insurance fee' of £31.64, as Mrs S was effectively being charged twice for the cancellation of her policy. When Somerset Bridge pointed out this amount was what Mrs S's insurer had charged for the time it was providing cover, the investigator queried the arrangement fee Somerset Bridge had charged of £108.27 and referred to the fact it had said the charge for administering the policy was zero.

Somerset Bridge wouldn't alter its position and insisted Mrs S needed to pay £90.30. So, the complaint was referred to me for a 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.

Mrs S doesn't dispute that Somerset Bridge was entitled to cancel her policy. She is just unhappy with how much she has had to pay for a policy that only lasted around a month. I can understand this, as Somerset Bridge wants her to pay a total of £185.83 for around one month's cover, when the overall cost of the policy for a year was £469.17, plus a £25 direct debit set up fee and interest of £62.27, i.e. a total of £556.41. This means Mrs S is being asked to pay around 33% of the total annual charge when she only had the policy for around 8% of its intended period.

Somerset Bridge did make it clear that there was an Arrangement fee of £108.27 when it issued the original policy documentation to Mrs S. This was in the Pricing Information Document. And I think it was clear that the arrangement fee was what Somerset Bridge had charged for arranging the policy. However, I think it was unclear what it meant in its terms and conditions document under the heading 'Charges, Remuneration and Cancellation Process' by the 'Annual Policy Arrangement Fee'. I say this as it isn't clear whether this is the same as the Arrangement fee that it charged at the outset. Assuming this is the same as the Arrangement fee, the terms and conditions do say this will be deducted if the policy is cancelled after more than 14 days. However, this isn't the only charge Somerset Bridge made for setting up the policy and administering it. It also charged Mrs S £25 to set up her direct debit so she could pay in instalments. This means Mrs S has actually been charged £133.27 for Somerset Bridge to set up a policy, administer it for around one month and then cancel it.

I am satisfied it's fair for Somerset Bridge to receive an appropriate amount for setting up the policy, administering it, including sending reminders for the documents it needed and a cancellation notice, and then cancelling it. I also accept it is fair for it to make a reasonable profit as a reward for setting up Mrs S's policy, as this is what it is in business to do. But in determining the fair and reasonable outcome to this complaint, I need to be satisfied that the administration charge is proportionate to the service it actually provided. I say this because it is effectively a charge to make sure Somerset Bridge don't lose out if the policy is cancelled early through no fault of its own. And it's not meant to be a penalty to Mrs S for the policy being cancelled early. Also, Somerset Bridge needed to make sure that Mrs S received fair value in accordance with its regulatory responsibility to make sure it delivers good outcomes for its customers.

Our investigator asked Somerset Bridge to explain how the arrangement fee was made up. And this was so she could consider whether it was fair and proportionate. Unfortunately, Somerset Bridge hasn't provided this information and has instead just argued it was entitled to deduct it, along with the direct debit set up fee. In view of this, I've considered whether what Somerset Bridge has charged to cover its setup and administration costs overall and an element of profit is fair. And I don't think I can say it is because Somerset Bridge hasn't really provided sufficient information to justify it. It is obviously difficult to say what would be fair and I appreciate this is a subjective judgement. However, I think I can be satisfied that an overall charge of £100 is fair. I am not saying that this is the right amount for Somerset Bridge to charge. I am simply saying that without additional evidence I can't be satisfied that more than this is fair.

I should also say, as an aside, that I was disappointed to hear that Somerset Bridge didn't place recovery action on hold while we considered Mrs S's complaint. I say this as I'd consider it good practice for an insurance broker to do this in most circumstances. Whereas Somerset Bridge let it get to the point Mrs S was threatened with court proceedings.

### **Putting things right**

It follows from what I've said that I consider the fair and reasonable outcome to Mrs S's complaint is for Somerset Bridge to reduce what she owes it to reflect an overall charge for administration of £100. This means a reduction of £33.27. Therefore, Mrs S will be left with £57.03 to pay to clear her debt.

### **My final decision**

I uphold Mrs S's complaint about Somerset Bridge Insurance Services Limited and order it to reduce her debt in relation to the policy it cancelled to £57.03.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 25 July 2024.

Robert Short  
**Ombudsman**