

## **The complaint**

Mr P has complained that Dynamo Cover Limited arranged for the automatic renewal of a breakdown cover policy without his knowledge. He is unhappy that the renewal policy was not the same as the previous policy and that Dynamo didn't answer his concerns about this.

Mr P has complained about the fee he was charged on cancellation.

## **What happened**

Mr P bought a breakdown cover policy online through the broker Dynamo in August 2020.

Before buying the policy, Mr P agreed for Dynamo to automatically renew his policy unless he contacted it to remove this.

Dynamo renewed Mr P's policy in 2021 and 2022. There was an issue with the collection of the payment for the 2023 policy after the start date, and so Dynamo contacted Mr P. Mr P paid for the policy.

Mr P later complained to Dynamo. He said it hadn't made it clear it would automatically renew his policy – and he said it had offered a different policy in 2023 which he hadn't agreed to. He said Dynamo collected the full premium and charged him a cancellation fee of £5. He wanted a full refund.

Our Investigator didn't recommend the complaint should be upheld. Mr P didn't agree.

I issued a provisional decision on 20 May 2024 as I intended to uphold the complaint.

Both parties have accepted my provisional decision. I have addressed the remaining outstanding point on the premiums in my findings below.

## **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.

My final decision is along the same lines as my provisional decision as both parties broadly agree. I've addressed the premium refund separately.

Our Investigator explained that this service cannot investigate all complaints. We can only investigate regulated activities set by the regulator, the Financial Conduct Authority.

Complaints handling isn't a regulated activity – and so I cannot investigate the way Dynamo handled Mr P's complaint as it's outside of our jurisdiction.

I've looked at whether Dynamo as the broker gave Mr P sufficient information before he bought the policy to understand it would arrange the automatic renewal of it. I've looked at

whether it acted reasonably when it offered a different policy to Mr P at renewal in 2023, and how it responded to Mr P's queries which he made within the cooling off period.

Before buying the policy in 2020, Mr P agreed to the terms and conditions which applied.

Dynamo has provided a screenshot of the terms and they explain that Mr P agrees for his policy to be auto renewed. There's no evidence of Mr P contacting Dynamo at renewal in 2021 or 2022 to dispute this process. And so I'm satisfied that by 2023, Mr P was reasonably aware of the fact that his breakdown policy through Dynamo would automatically renew, although I would expect any significant changes in cover to be clearly highlighted to Mr P at that stage.

Dynamo provided the following information under its Terms of Business (TOB) to Mr P:

*"Renewal*

*Dynamo Cover Limited will contact you 21 days before the expiration of your policy.*

*We will write to you confirming the details of your renewal, providing any new wordings and highlighting any changes - We are also able to shop around and find you another product if you wish.*

*If you do not wish to renew the policy you will have to follow the instructions listed in your renewal invite - This is clicking a link to cancel the renewal or contacting us.*

*We operate a Auto Renewal process which means that we will automatically renew the policy on the expiration date, in order to ensure continuous cover, so if you do wish to renew with the product proposed you will not need to do anything."*

Dynamo explained its scope of services under the same TOB.

*"Our Scope of Service*

*We offer a range of insurance products and have access to leading insurers in the marketplace. We provide information only about a policy from one or more insurance undertakings without giving you advice or a personal recommendation, in which case we will provide the names of those insurance undertakings.*

*We act on your behalf in arranging your insurance."*

So I think Dynamo provided Mr P with clear information about the scope of its services – and gave Mr P sufficient notice of renewal.

Under the TOB, Dynamo set out that it will charge up to £15.99 as an administration fee for cancelling the policy. This is irrespective of whether the policy is cancelled within or outside of the cooling off period. Dynamo says it charged Mr P £5 for cancelling his policy. As this is within the range explained under its fees and charges of its TOB, I think Dynamo was reasonably entitled to charge this.

*Premium refund*

In my provisional decision I said I'd asked both parties to provide details of the amount of refund Mr P received on cancellation.

In August 2022 the price of the product Dynamo arranged at renewal was £18.74 with a broker fee of £17.50.

Mr P's premium at renewal in August 2023 is made up as follows:

Insurance Premium: £37.23  
IPT: £4.47  
Brokerage Fee: £58.90  
Total: £100.60.

Mr P said he was charged a cancellation fee in addition to the full premium and received no pro rata refund.

Dynamo said as Mr P cancelled his policy outside of the 14 day cooling off period, it provided a pro rata refund as follows:

$£37.23 / 12 = £3.1025 \text{ per month}$   
 $£3.10 \times 10 \text{ months} = £31.025$   
 $£31.025 - £5.00 \text{ cancellation fee} = £26.03 \text{ (decimal round up)}$ .

*The IPT is non-refundable as this is remitted to HRMC.*

*In accordance with our Terms of Business, fees paid to Dynamo Cover Ltd are non-refundable."*

Dynamo quoted its Fees and Charges as set out under its TOB to Mr P:

*"Fees and Charges*

*We will charge you for the work incurred in handling your insurances. These charges apply if you instruct us to arrange insurance, carry out a mid-term adjustment, renewal, cancellation or other work on your behalf. Any additional charges, if applicable, will always be agreed with you in advance of them becoming due. All fees paid to Dynamo Cover are non-refundable."*

Dynamo told us it arranged a refund of £26.03 to Mr P's card on 5 September 2023.

In my provisional decision I said that if Mr P doesn't agree, he can let me know so that I can consider this point further.

In response, Mr P has provided a copy of his bank statement from 1 to 30 September 2023. This shows that Dynamo deducted £5.00 on 6 September 2023. There is no record of any refund from Dynamo to Mr P during this period. So I'm not satisfied that Dynamo provided a pro-rata refund of £26.03.

Mr P first contacted Dynamo to query the price and level of cover for the product it arranged at renewal on 23 August 2023. This was three days after the renewal date, and so well within the cooling off period. He wrote;

*"Policy was renewed as different policy. I was on UK + XS but now on BOOST. Need to change it back & update card details as they have expired. Please stop auto-renewing my policy. I did not realise this would happen. No options to do this on website!"*

However, Mr P didn't receive a full response. So he contacted Dynamo again and asked

about the cancellation process and for a full answer to his questions. He explained he had tried to cancel the policy online but it quoted that he would owe a fee of £5. Mr P had by now paid the premium in full, so he asked if he owed more money if he cancelled.

Dynamo confirmed that Mr P's policy was cancelled and he didn't owe anything. But Mr P contacted Dynamo again to complain that it had charged him £5 in addition to the full premium which he said was unfair. He asked Dynamo for a full refund.

Dynamo acknowledged Mr P's complaint on 3 September 2023. But I cannot see that Dynamo answered Mr P's concerns as to the difference in product which it arranged at renewal.

Under the industry rules, firms have a duty to give consumers the information they need at the right time to allow them to make informed decisions. I'm not satisfied Dynamo did this in this case as it didn't provide any explanation as to why the product differed to Mr P when he asked within the cooling off period.

I can see that the non-refundable broker fee is £58.90. This is more than the value of the product and almost three times the fee it charged Mr P for arranging a policy the year before.

The fee amount isn't set out under the TOB, but listed separately under the Schedule of Insurance under the title "Fee".

The industry rules say firms must provide products and services that offer fair value. Our role isn't to tell firms how much they should charge for their products. But they should be able to demonstrate that the cost is reflected in the value and potential benefit of the product.

It's important to note that Dynamo is the broker here, and so it doesn't set the prices. That is the role of the insurer. Dynamo told us the aspect of cover Mr P believes made his policy more expensive this year is a free benefit provided by Dynamo to long standing customers. It has no bearing on the price an insurer charges – Dynamo says this would have still been the price Mr P paid as it doesn't control the prices of policies. Due to the age of Mr P's vehicle, it had entered into a new banding rate – and so Dynamo says it provided additional cover benefits free of charge to provide greater value for its customers.

Mr P asked Dynamo why the product was different – and didn't receive a response – this meant Mr P's decision to cancel the policy was made outside of the cooling off period while he was waiting for a response. I don't think it's fair for Dynamo to deal with the cancellation on this basis. I think it should deal with the cancellation within the cooling off period, backdated to 23 August 2023. This means that the product was 'on risk' for three days.

Under the industry rules, firms have a duty to give consumers the information they need at the right time and in a way they can understand, so they can make good financial decisions, without having key information buried in lengthy terms and conditions. And the information should be clear, fair and not misleading. They should support their customers in making use of their policy without unreasonable barriers. Taking everything into account, I don't think Mr P should pay more than the value of the product as a broker fee.

So in line with industry rules, I'm not satisfied that charging a non-refundable fee on cancellation of more than the price of the product reflects the value and benefit of the policy.

We think it's reasonable for a broker to charge a fee to cover the administration costs of setting up and cancelling a policy. But in this case, I don't find it reasonable for Dynamo to charge any more than the cancellation fee it charged of £5.00.

## **My final decision**

My final decision is that I uphold this complaint. I require Dynamo Cover Limited to do the following:

- Provide a refund equivalent to the full year's premium, so £100.60 (as Mr P has already paid the £5 cancellation fee).
- Pay interest on the refund at a rate of 8% simple interest a year from 23 August 2023 to the date it pays Mr P.
- Pay Mr P £50 compensation for the distress and inconvenience caused by its poor service.

Dynamo Cover Limited must pay the compensation within 28 days of the date on which we tell it Mr P accepts my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision to the date of payment at a simple rate of 8% a year.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 23 July 2024.

Geraldine Newbold  
**Ombudsman**