

The complaint

Mr M has complained about the charges IGO4 Ltd. trading as WiseDriving (IGO4) say he owes when he cancelled his car insurance policy.

What happened

Mr M bought a car insurance policy through a broker IGO4 which started in November 2023. In February 2024 Mr M cancelled his car insurance policy as he decided to scrap his car.

IGO4 said Mr M owed a balance on cancellation which he didn't agree was correct. So he raised a complaint. Mr M was also unhappy with the way a call had been handled and said IGO4 hadn't acknowledged his complaint. He was unhappy that he was being chased for the outstanding balance from a debt collections agent.

IGO4 didn't uphold Mr M's complaint. So Mr M asked us to look at his complaint.

Our Investigator didn't recommend the complaint should be upheld. She found no failings in the way IGO4 cancelled the policy or handled calls with Mr M. The Investigator found IGO4 had acknowledged Mr M's complaint promptly. As she found the cancellation charges were correctly owed, the Investigator thought IGO4 had treated Mr M fairly – and it offered for Mr M to repay the balance under a repayment plan rather than in a lump sum.

Mr M doesn't agree the cancellation charges have been correctly calculated. So he wants an ombudsman 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.

I've found no evidence that IGO4 provided a poor service to Mr M in the calls with Mr M, and its communication about the cancellation. While this service doesn't look at complaints handling as a regulated activity, I can see Mr M's complaint was acknowledged and responded to within the timeframes set by its regulator, the Financial Conduct Authority.

The remaining issue for me to decide is whether IGO4 has correctly set out what Mr M owes on cancellation, and if what it says is due is fair.

Mr M's insurance contract was for a year. Where customers don't wish to pay the yearly premium up front, they are given the option to pay it in monthly instalments by way of a credit agreement. In this case, Mr M took out a loan for the full premium (minus a deposit paid) under a credit agreement in order to pay for the policy in monthly instalments.

Mr M bought a telematics policy. This means the amount repayable under the credit agreement included a £150 fee which was non-refundable and owed in full in the event of a mid-term cancellation for the fitting of a telematics box to his car.

Under the document titled "Our Terms and Conditions" which was available to Mr M when he bought the policy, IGO4 set out what Mr M would pay for its services.

IGO4 said;

“Your policy is a contract for 12 months. If your insurance is cancelled for any reason you will be charged £75.00 in addition to the charge made by your insurer for the cover you have received.

I Go 4 Ltd.’s commission is non-refundable in the event policy is cancelled after the first 14 days.

Please note all fees charged are non-refundable in the event of cancellation.”

And,

“The New Business Telematics Fee for the first year is £150.”

IGO4 didn’t provide advice on the suitability of the policy so it was for Mr M to decide if the policy was suitable for him. I think IGO4 gave Mr M clear and not misleading information to make an informed decision when he bought the policy.

Under the “welcome” pack IGO4 sent to Mr M when he bought the policy, it explained that he would pay interest on the remaining balance of £1,598.05 minus the deposit paid of £116.23.

Mr M would repay this under a credit agreement. I’ve seen the initial credit agreement which says Mr M will pay interest on £1,481.82 (£1,598.05 - £116.23).

This was broken down as a first instalment of £137.72 followed by ten instalments of £137.71. Mr M paid the first instalment on 7 December 2023.

Due to his good driving score, Mr M received a discount of £48.44. This was applied to the remaining balance Mr M owed under the credit agreement on 7 January 2024.

Mr M says IGO4 failed to include the discount he received for good driving. But IGO4 has provided a screenshot to show that the discount was applied to the credit agreement on 7 January 2024 – and this is the same date IGO4 wrote to Mr M to explain that this is what would happen.

As a result, the instalments reduced from £137.72 for the remaining ten months to £129.29 a month.

Mr M paid an instalment of £129.29 on 10 January 2024.

As Mr M cancelled his policy, Mr M owed the full non-refundable telematics fee of £150. Mr M says he should only owe a proportion of this amount as it was included in the credit agreement and so he paid toward some of this in the payments he already made.

On cancellation, IGO4 provided the following breakdown:

Card payments £116.23

1x Direct Debit £134.72

1x Direct Debit £129.29

Total Direct Debit £264.01

Total paid £380.24

Time on Cover £405.44 including interest

Telematics Fee £150.00

Cancellation fee £75.00 (waived, so zero)

Total Charge £555.44

Outstanding Balance £175.20

I can understand why Mr M may have reached the conclusion he did in relation to the £150 telematics fee. But Mr M always owed the full fee of £150 on cancellation. The interest

charged on cancellation is based on the remaining balance due under the credit agreement, taking into account what Mr M already paid by Direct Debit, and then the recalculated credit balance due after applying the 'good driving score' deduction.

On 26 July 2024 Mr M provided a breakdown of what he considers to be correct. Mr M believes he owes a balance of £128.77. But I don't agree with the breakdown he has provided. Mr M has calculated what he owes on the assumption that the annual interest is based on a sum of £1,393.66. But the starting point for the amount owed under the credit agreement was more than Mr M has quoted, as it was for £1,481.82.

I understand Mr M says IGO4 didn't explain how it arrived at the amount owed of £175.20. But I can't agree as this was set out in its letter to Mr M dated 14 March 2024.

IGO4 waived its cancellation fee to take into account Mr M's personal circumstances, And it says Mr M does not need to repay the balance owed in a lump sum, which I think is fair.

Overall I think IGO4 has acted reasonably as it was entitled to charge its cancellation fee under the terms of the policy. So this means I'm not asking IGO4 to do any more.

My final decision

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 M to accept or reject my decision before 29 November 2024.

Geraldine Newbold
Ombudsman