

The complaint

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What happened

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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 don't find it strange for two businesses from the same business group to be working together as a broker and insurer to provide Mr S with an insurance product. This is not unusual for the insurance industry.

In this situation, both the broker and Collingwood Insurance are separate legal entities. As I only have jurisdiction to consider one complaint at a time, this decision is focused on looking at whether Mr S' insurer, Collingwood Insurance has done anything wrong. I'd like to add, that although I'm not concerned by the business model, I am keen to ensure the business has been transacted fairly, so that Mr S hasn't faced an unreasonable financial loss.

When the policy was cancelled, Mr S was informed he had an outstanding balance of £129 which was payable. Collingwood Insurance has provided a breakdown of this balance. I've set this out below:

Premium retained by Collingwood Insurance	£84.40
Non-refundable intermediary arrangement fee	£75.00
Monthly card admin fee (broker)	£ 4.50
Cancellation fee (broker)	£40.00
Total costs of cancellation	£203.90
Less amount paid by Mr S at cancellation	(£74.90)
Outstanding balance	£129.00

I can only look at the charges that relate to Collingwood Insurance (i.e., the premiums retained and the intermediary arrangement fee). The other charges are related to the broker, so can't be considered under the jurisdiction of this complaint.

I've considered first the arrangement fee. It is normal in the industry, that Collingwood Insurance (as insurer) would provide a payment to the broker by way of a commission or an arrangement fee. What's important is the communication of the fee before it was charged.

Collingwood Insurance have provided details of the online sales process – the customer journey that Mr S followed when he bought his policy. When Mr S reached the online screen

where he selected his payment options, there is a clear explanation of the terms of the policy that apply at cancellation. There is also, a clear summary of the cost of taking out insurance, which was:

Annual premium	£175.89
Insurance Premium Tax	£21.11
Intermediary service fees (non-refundable)	£75.00
Annual payment	£272.00

There was also further access to the terms and conditions, should Mr S had wanted to look at the detailed terms of the policy. Mr S had to progress through this screen before going to the next screen to pay for the policy.

I think given the visibility of this information, I don't see how there could be any confusion. I'm persuaded that the costs of the policy were fairly communicated. Mr S should've been in no doubt what he was paying included an arrangement fee. This is normal. There are administration costs and overheads related to setting up a policy. £75 isn't out of the norm and it's clearly stated it's non-refundable.

Mr S also was sent the policy terms after he bought the policy. He said he couldn't access the link he was sent. However, I haven't seen any evidence he contacted either his broker or Collingwood Insurance to get these terms and conditions another way or to notify them of the issue. I think if he wanted to read the detail of the policy Mr S would've and should've made contact to ask for these.

Therefore, I'm persuaded the charge of the administration fee is fair.

The other charge Collingwood is responsible for is the premium. The policy refers to a cancellation scale which sets out that if the policy is cancelled after two months, under the terms of the policy Collingwood can retain 40% of the premium. Collingwood calculated this to £84.40.

A cancellation scale that's on a front-loaded basis is unusual in the domestic car insurance market, therefore, I'd expect it to have been prominently set out during the sales process. Prominent doesn't mean embedded in the detail of a policy, but highlighted in order that Mr S was fully aware of the consequence to him financially of cancelling.

Collingwood Insurance have explained to our service why the risk of providing cover is higher in the earlier months of the policy. I've checked its reasoning. Collingwood Insurance has provided historic trends of claims justifying the front-loading of its premiums. I think it has reasonably justified why it has done this.

However, this isn't enough. It's important that Collingwood Insurance highlighted the cancellation scale to Mr S before he bought the policy.

There were three documents made available to Mr S at the acknowledgement stage of the sales journey. One of which being the policy document.

The statement says: *"Policy Document: The policy document provides full terms and conditions of the policy including your cancellation rights. If you or your insurer cancel your policy, you will be charged a percentage of premium dependent upon the number of months on cover outside of your 14-day cooling off period."*

On the IPID document it stated: *"Cancellation by you after the cooling off period – Beyond the 14 days period where cancellation is effected by you, we will allow a refund of premium*

which will be calculated using the scale at the end of the Cancellation Section of the policy booklet.”

I've checked and the scale is clearly set out in the policy booklet. So, I'm persuaded that Collingwood Insurance has taken reasonable steps to highlight this important term ahead of the sale been made. Therefore, I don't uphold this complaint. I think Collingwood Insurance has calculated the charges at the time of cancellation correctly.

My final decision

My final decision is that I don't uphold this complaint. I don't require Collingwood Insurance Company Ltd to do anymore.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 19 November 2024.

Pete Averill
Ombudsman