

The complaint

Mr B has complained that Arthur J Gallagher Insurance Brokers Limited cancelled his taxi insurance policy too late and he was charged more for it because of this.

What happened

Mr B took out a policy through Arthur J Gallagher to cover his taxi which started on 12 July 2023. It was then established that his licence was issued by a different local authority to the one noted when he took out the policy. This meant the insurer wouldn't provide him with cover. Mr B spoke with Arthur J Gallagher on 24 July 2023 about this and told them he wanted the policy to be cancelled from 26 July 2023, which was still within the contractual cooling off period. Arthur J Gallagher told him it would get cancellation figures from the insurer and get back in contact with him. Arthur J Gallagher then attempted to contact Mr B and to get him to contact it. But it didn't make contact with Mr B, so it issued a seven day cancellation notice on 27 July 2023. This meant the policy was cancelled outside the cooling off period and the insurer retained 25% of the premium, instead of it providing a pro rata refund.

Mr B was then advised that he owed around £570 for the policy. He wasn't happy about this and complained to Arthur J Gallagher. It said he'd been charged more by the insurer because the policy was cancelled outside the cooling off period and this was because he'd not got back to them when it asked him to. It further explained it had waived its fees.

Mr B asked us to consider his complaint. One of our investigators did this. He said that Arthur J Gallagher should have cancelled Mr B's policy from 26 July 2023, as it was clear he wanted it cancelled from this date and that it should refund the extra he paid because it was cancelled later.

Arthur J Gallagher doesn't agree with the investigator's view and it has asked for an ombudsman's decision. It has said there is no evidence Mr B explicitly requested for the policy to be cancelled from 26 July 2023. And the reason it sent a cancellation letter giving seven days-notice of cancellation and cancelled the policy after this was because Mr B didn't make contact with it despite it asking him to do so.

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 agree with our investigator that Mr B's complaint should be upheld and that Arthur J Gallagher should refund the extra he has been charged because of the policy not being cancelled on 26 July 2023. But I also think Arthur J Gallagher's unreasonable approach caused Mr B unnecessary distress and inconvenience and he should receive £100 in compensation for this as well.

I've listened to the telephone conversation Mr B had with Arthur J Gallagher on 24 July 2023 and I am satisfied it was clear from this that he wanted the policy cancelled from 26 July

2023. I appreciate the agent said she would need to get cancellation figures from the insurer and come back to Mr B. But this doesn't alter the fact that Mr B had been clear on when he wanted the policy cancelled from. In the circumstances I think Arthur J Gallagher should have cancelled the policy from 26 July 2023 irrespective of the fact Mr B did not make contact with it. This means the insurer would have then charged a pro rata premium for the time it was on cover instead of 25% of the premium. In view of this I consider it is fair and reasonable for Arthur J Gallagher to refund the difference between what the insurer charged and what the pro rata premium would have been if the policy had been cancelled on 26 July 2023. It should also pay interest on this amount to compensate Mr B for being without these funds. And if Mr B hasn't actually paid the amount outstanding Arthur J Gallagher should amend the balance due to reflect this and let him know what he has left to pay.

I think it should have been clear to Arthur J Gallagher this was the right thing for it to do and the fact it didn't do this and refused to alter its position clearly caused Mr B distress and inconvenience, as he had the worry of owing a lot more than he thought he should owe and the impact it would have on him if he had to pay this amount. Therefore, I consider it is also fair and reasonable for Arthur J Gallagher to pay him £100 in compensation for this.

Putting things right

For the reasons set out above, I've decided to uphold Mr B's complaint and make Arthur J Gallagher do the following:

- Work out what the pro rata premium for Mr B's policy would have been if it had been cancelled on 26 July 2023 and pay him the difference between this and the premium charged by the insurer. If Mr B has paid the full amount due Arthur J Gallagher should pay interest on the difference at 8% per annum simple from the date he paid this to the date of payment.*
- If Mr B hasn't actually paid the amount outstanding, Arthur J Gallagher should amend the balance due to reflect the pro rata premium and let him know what he has to pay.
- Pay Mr B £100 in compensation for distress and inconvenience. Arthur J Gallagher must pay the compensation within 28 days of the date on which we tell it Mr B accepts my final decision. If it pays later than this, it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

* Arthur J Gallagher must tell Mr B if it has made a deduction for income tax. And, if it has, how much it's taken off. It must also provide a tax deduction certificate for Mr B if asked to do so. This will allow Mr B to reclaim the tax from His Majesty's Revenue & Customs (HMRC) if appropriate.

My final decision

I uphold Mr B's complaint about Arthur J. Gallagher Insurance Brokers Limited and order it to do what I've set out above in the 'Putting things right' section.

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

Robert Short
Ombudsman