

The complaint

Miss A complains that Advantage Insurance Company Limited failed to cancel her motor insurance policy within the 14-day cooling off period.

Where I refer to Advantage, this includes the actions of its agents and claims handlers for which it takes responsibility.

What happened

The detailed background to this complaint is well known to both parties, so I'll only summarise the key events here.

Miss A's motor insurance policy, underwritten by Advantage, renewed on 17 February 2024.

On 1 March 2024, Miss A says she called Advantage to cancel the policy within the 14-day cooling off period. But despite trying several times, she couldn't get through due to the long wait times.

On 2 March 2024, Miss A called again without success. So she sent a message on the online webchat. An automated reply informed her that responses could take up to 48 hours and for anything urgent, such as cancelling a policy, contact should be made by phone.

When Miss A still couldn't get through, she raised a complaint.

Advantage responded to the complaint on 14 March 2024. It said:

- There was no record on its system of any calls from Miss A's number on 1 and 2 March.
- There was only a record of an abandoned call on 3 March where Miss A had hung up after less than a minute.
- It's a legal requirement to have motor insurance in place and as the insurance database showed that Miss A didn't have cover elsewhere, it couldn't backdate any cancellation.
- If Miss A still wants to cancel, she needs to call. And as it's after the 14-day cooling off period, she'll be liable for the £45 cancellation fee.

Advantage informed Miss A in a letter dated 2 April 2024 that it had cancelled the policy effective from 22 March 2024. It said she was required to pay £227.67 which included the cost of the time on cover, direct debit interest, and the cancellation fee. As there was already credit on account, Miss A had a remaining balance of £95.72.

Miss A didn't think this was fair. She brought her complaint to our Service and has told us Advantage has instructed a debt collector.

Our Investigator didn't uphold the complaint. He said that as Miss A hadn't cancelled her policy within the required time, she was liable for a cancellation fee, and she'd always have needed to pay for her time on cover.

As Miss A didn't agree, the complaint was passed to me to decide. And I issued the following provisional decision.

My provisional decision

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

That includes the Consumer Duty which says a firm must act to deliver good outcomes for retail customers (such as avoid causing foreseeable harm) and be proactive in delivering good outcomes including consumer support.

Specifically, it requires a business to offer helpful and accessible customer support so that it's as easy to cancel a policy as it was to buy it in the first place.

The terms and conditions of Miss A's policy say:

"Your rights to cancel this policy

You have the right to cancel this policy within the first 14 days without incurring a penalty and without giving a reason. This is known as "the 14 day cooling off period" and starts on (i) the day this policy is entered into or (ii) the day on which you receive these terms and conditions, whichever is later."

Whilst it's not clear whether Miss A did in fact call Advantage on 1 and 2 March 2024, there is sufficient evidence to show that she sent a webchat message on the 14th day of her policy asking Advantage to cancel it.

I can't see any condition within the policy that requires Miss A to have a response from Advantage within the 14 days in order to make the cancellation a valid one. And if it did, this would mean customers could only cancel their policies via webchat in the first 12 days due to response times – which wouldn't be reasonable. Nor is there a condition in the policy about how Miss A should inform Advantage of her cancellation request.

Advantage may not have seen or actioned Miss A's message within the 14-day period. And it may have preferred for her to phone. But I'm not persuaded this means Miss A hasn't met her obligations under the policy.

As such, I'm satisfied Miss A informed Advantage that she wanted to cancel her policy within the 14-day waiting period and therefore should not have incurred a penalty in doing so.

Despite Advantage being on notice that Miss A wanted to cancel, it still didn't do so. In its complaint response, it said it couldn't cancel the policy because Miss A didn't have cover in place elsewhere. And that she'd need to call in to cancel.

So Advantage has specifically decided not to follow Miss A's instructions. Yet Miss A can't reasonably be expected to take out another insurance policy elsewhere when her current policy was still active, as she'd be paying for two policies. And given Advantage were aware of the difficulties Miss A had experienced in trying to call – regardless of whether it had records of these calls – it was unreasonable to obligate her to make contact this way.

Overall, I'm not persuaded Advantage has made it as easy for Miss A to cancel her policy as it was for her to take it out. And despite being aware of her request to cancel, it provided no support to allow her to do so. So I'm persuaded this complaint should be upheld.

Putting things right

To put things right, I'm minded to direct Advantage to:

- remove the £45 cancellation fee from Miss A's outstanding balance. If Miss A has already paid it, Advantage must refund it.
- pay £100 compensation for the distress and inconvenience caused.

Miss A is liable to pay for her time on cover as, regardless of when a policy is cancelled, a customer isn't entitled to be insured for free. I do appreciate that Miss A was on cover for longer than she should've been. But it's standard practice that, even if her policy had been cancelled within the 14-day cooling off period, she'd still have been required to pay for the days she had insurance in place.

I understand the time on cover amounts to £182.67 after deducting the cancellation fee. Miss A had already paid £131.95, which leaves a balance of £50.72 for her to pay. I'm not persuaded Advantage can charge anything more than this amount.

To be clear, if Advantage has instructed debt collectors and interest has been applied to the outstanding debt then this should be removed. This is because I don't think it was reasonable for Advantage to take this step when it was aware Miss A was pursuing a complaint with our Service.

Responses to my provisional decision

Neither party responded to my provisional 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.

As neither party had any further submissions for my consideration, I see no reason to deviate from the outcome explained in my provisional decision.

My final decision

For the reasons I've explained, I uphold this complaint and direct Advantage Insurance Company Limited to:

- remove the £45 cancellation fee from Miss A's outstanding balance. If Miss A has already paid it, Advantage must refund it plus 8% simple interest per annum from the date she paid it until the date she's reimbursed.
- pay £100 compensation for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 16 December 2024.

Sheryl Sibley
Ombudsman