

## **The complaint**

Mr S with the assistance of his representative, complains that Lycett, Browne-Swinburne and Douglass Limited (LBSD) has treated him unfairly when acting as a broker for his insurance policy.

Mr S is concerned that LBSD has not acted in his best interest when sourcing the policy it did. He believes the cost of this policy and the impact this would have on the fees LBSD would earn has incentivised it to limit its search and the options presented.

He does not think the fee charged by LBSD is fair or representative of the work undertaken in arranging the policy. And when the policy was cancelled soon after it was taken out, he believes it is only fair that this is refunded on a pro-rata basis at least.

## **What happened**

Mr S's complaint has been brought by his son, acting as his representative on this complaint. For ease of reference though, I've referred only to Mr S in my decision, with the comments and responses of Mr S's son, being representative of Mr S.

In October 2023, LBSD provided a quotation to Mr S for his buildings and contents insurance which it felt met Mr S's needs with a competitive premium based on the markets available to LBSD. It also highlighted that the underwriter of the policy (Insurer A) would carry out a survey of the property which would ensure the building rebuild cost, sum insured is correct for the main property.

The quotation provided a breakdown of the cost of the insurance, demonstrating the cost of the premium, the cost of the insurance premium tax added (IPT) and the fee LBSD was charging for its work in sourcing and arranging this policy.

Mr S accepted the terms of the quotation provided and the property was insured with Insurer A from 16 November 2023.

In January 2024, Mr S's son, acting as his representative, raised concerns with LBSD about the cost of the insurance and the fees charged by LBSD for arranging this insurance. Mr S's son had found insurance with another specialist broker with the service provided for considerably less than the fee charged by LBSD.

On 15 January 2024, Mr S notified LBSD that he was transferring his business to a new broker based on this and he asked that LBSD refund on a pro-rata basis, the fees charged for arranging the policy. The refund request was refused and Mr S raised a complaint in response to this.

Our investigator looked at this complaint and didn't think LBSD had acted unfairly when it declined to provide a refund for the cancellation fee.

They said they were happy LBSD had provided information which was compliant with the Insurance Code of Business Sourcebook (ICOBS) with the Terms Of Business Agreement

(TOBA) setting out how LBSD would be paid for the service provided.

The quotation and recommendation provided for the cover arranged by LBSD detailed the cost of its service for arranging this. So, our investigator felt Mr S had been given the details of the cost ahead of the policy being accepted and this was provided in a clear, fair and not misleading way.

They explained the role of this Service is not to tell businesses what they charge for the service they provide and this is a commercial judgement each business is free to make. They were satisfied that LBSD had explained what work it undertook in its role when arranging the policy and they felt this was inline with what it sets out it will do in its TOBA. And the requirement for a survey to be completed on the property was the responsibility of Insurer A and not LBSD.

The policy LBSD recommended was not the most expensive, based on the market it had available, or the one that resulted in the highest remuneration for its service. So they didn't think their actions demonstrated they were incentivised to source a more expensive policy for Mr S.

They were satisfied the policy met Mr S's needs and the previous underwriter was not able to provide cover based on the changes made to the policy cover limits. And LBSD made a recommendation for Insurer A as it was able to provide the cover needed.

Although the policy was cancelled within three months of it being incepted, they didn't think LBSD had acted unfairly when it refused to provide a refund, even on a pro-rata basis. They said the fee was charged for the work it completed in sourcing and arranging the policy and it was not unreasonable for this to be retained as this service was completed.

Mr S disagreed with the investigators assessment. They reiterated that they'd been able to agree a fixed fee of only £1000 with a new broker and they felt this demonstrated the fee charged by LBSD was inflated and unfair. And the policy provided via the new broker was around 20% cheaper in price than the policy recommended by LBSD.

They said LBSD, linking its fee to the premium is unfair. And whether it recommended the cheapest policy from the ones it had available, didn't explain why it didn't search the wider market or find the policy at the same price that the new broker found it for.

Ultimately, they still felt the fee charged was excessive for the work completed and it was fair that a pro-rata refund was provided.

Our investigator's opinion remained unchanged. They said the insurance market is an open market and a difference in price doesn't mean a mistake has been made or that the business is acting unfairly. Following this, Mr S asked that the complaint be referred for decision. They felt facts were being ignored in reference to the price achieved elsewhere and, in their opinion, it is clear LBSD has been acting unfairly.

### **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 decided not to uphold this complaint, for much the same reasons as our investigator. I appreciate Mr S will be disappointed by this, but I'll explain why I don't think LBSD has done anything wrong when it has refused to provide a refund of the fees it charged for arranging Mr S's insurance.

Mr S and LBSD have provided a good level of detail and information in support of this complaint. While I have considered everything provided, I've focused my decision and response on the crux of the complaint and as a result, I may not comment on everything which has been said or provided previously.

At the heart of this complaint are several key concerns:

- LBSD charged a fee that Mr S and his son feel is unreasonable for the level of work completed.
- LBSD had an incentive to source a policy with a higher premium as this has a direct impact on its fee, being a percentage of the premium charged.
- LBSD should provide a pro-rata refund of this fee because the policy was cancelled within 3 months of being incepted when Mr S moved his business to another broker.

I'll deal with these in turn and why I don't think Mr S has been treated unfairly by LBSD when it charged him a fee to arrange his insurance.

As our investigator has highlighted, it is not the role of this Service to tell a business what it needs to charge for the service it provides. Instead, we will consider whether the business has acted fairly, and done what it is required to when providing information about this service, the cost of its service and whether it has done what it said it would when providing the service.

The TOBA sets out what LBSD will do when providing its broking service. It makes recommendations based on either, a fair and personal analysis of the market, a review of a limited range of insurers, or placement with a single insurer, with no wider market review. And it says it will tell its customer, which of these scenarios applies to them.

The quotation provided by LBSD said:

*"As a broker, Lycetts aims to source cover that is appropriate to your needs. As such we have considered a number of insurers. Details of these are shown below."*

A table with the insurers name and indication of the premium it would charge for the policy, inclusive of IPT but with LBSD's fees excluded, followed this statement. So I think LBSD provided Mr S with clear, fair and not misleading information about the approach it had taken when sourcing a policy for him and the insurers it considered. It didn't say it had searched the whole of the market and the prices offered were based on these insurers only. This is inline with what it says it will do within its TOBA and I don't think its acted unfairly when doing this.

It made a recommendation for the insurance to be taken with insurer A and within the quote, it set out what the total price of the insurance would be. This included a breakdown of the premium, the cost of IPT on top of this and the fee it was going to charge if the policy was selected. As well as the fee being separated out within the premium breakdown section, it was also highlighted immediately below with the details of how this amount had been calculated.

*"A fee of £2,175.07 (20%) has been charged, in place of any commission from insurers. This will be shown separately on your invoice."*

I appreciate there has been no dispute about the clarity of the information on the cost of the service upfront. But I think it is important to highlight why I think LBSD did provide

information on both the service it will provide and cost of this service. I am satisfied this was provided in a way that was clear, fair and not misleading and Mr S would have been aware of the cost of the service being provided when he agreed to accept the quotation.

Mr S doesn't think LBSD has been able to provide a fair explanation for the work it undertook which led to the recommendation it made and the cost of this service. I appreciate why he feels, with the business having been with LBSD for a number of years previously, that it had little to do at renewal. But it is clear work has been undertaken with both amendments to the cover needed and a large level of administrative work evidenced by LBSD. And LBSD made it clear with the information provided in the quotation, that regardless of what it did in the background, the cost of its service would be 20% of the premium.

Following some of the changes and amendments made to the quote, the total amount paid to LBSD for its fee reduced to £2,136.51 as the total cost of the policy saw a slight reduction.

Mr S feels that it has been evidenced that LBSD failed to check the wider market because of the incentive it had to find a higher priced policy, with this having a direct impact on its fee. And even though it has been shown that it selected the cheapest option from the insurers it did consider – when thinking about the fee it would generate for it and the cost to Mr S – its failure to search the wider market is a failing in itself.

As I've set out above, the TOBA do not say that LBSD will always search the whole market. Instead, it will make a recommendation based on the search it undertakes and will provide details on what option has been used. It did this within the quotation and explained which insurers it had considered. If Mr S was not happy with this approach and the cost of the insurance, he didn't need to accept the offer to renew. But with the information being provided on the approach taken and this being in line with the service it says it will provide, I don't think it has done anything wrong.

From the insurers approached for a price, the policy recommended represented a fee for LBSD's service which was the lowest. I think this demonstrates that its recommendation has not been based on price and the benefit to it with an increased price. Instead, it has earned considerably less than it could have when discounting the other policies as insurer A provided a policy that met the needs of Mr S and this was the cheapest option available.

Overall, when considering the fee charged, the notice of this and whether LBSD acted fairly when doing this, I don't think it has done anything wrong. I am satisfied the information provided has been compliant with the relevant rules and Mr S would have been able to make an informed choice over whether to accept the cost of its service or not.

The TOBA, as well as setting out the details on the service LBSD will provide and the cost of this, also explain what will happen if a policy is cancelled or changed after it has been taken out.

#### *"Mid-term changes and premium refunds*

*Most of our work is involved with finding and setting up your policy or renewal. Therefore, unless we agree otherwise, our commission is earned in full when we place your policy. If you cancel the policy or change the cover after the cooling off period, which results in a refund of your premium in full or in part, we may still charge you for the time and costs involved in arranging the policy. This will usually result in us reducing the amount refunded to you by the full amount of the fees and commission we would have earned if you had not cancelled or changed the policy."*

Mr S's son said the policy was cancelled a few days after its inception but this is not correct.

As I've said earlier, it was on risk from mid November 2023 and Mr S didn't say he wished to end his relationship with LBSD until early January 2024. This was outside of the cooling off period for the policy.

LBSD explain why its fee is charged and that it is based on it undertaking the work in finding and setting up the policy, which it did in this case. This is earned once the policy is incepted as it had been and after the cooling off period, it may still charge the full amount.

While I accept that Mr S does not believe LBSD has completed a great deal of work to justify the cost of its service, it cannot be disputed that it did find and arrange a policy that met his needs. It made him aware of the cost of this service when it provided the quote for the policy and this was accepted by Mr S. We are not here to set prices, but it is fair and reasonable to expect a business to be paid for its service and with LBSD providing the service it set out that it would, I don't think it has acted unfairly when it has declined to refund this fee to Mr S.

Overall, I've not seen anything to demonstrate that LBSD has acted unfairly with the service it provided to Mr S. The insurance market is a competitive open market and insurers use live pricing models which means the underlying price of the insurance can change over time, depending on the view of that risk taken at the time of the quote. The fact that one broker provides its services for less than another does not demonstrate a failing.

Here LBSD set out the cost of its service and what it had considered when sourcing Mr S's policy. I think it did this in a way that was clear, fair and not misleading and ahead of time to allow Mr S to make an informed choice. He is free to change businesses and shop around, but when doing this after LBSD had completed the work it said it would, it is fair it is paid for this work.

### **My final decision**

For the reasons I've set out above, I don't uphold Mr S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 22 April 2025.

Thomas Brissenden  
**Ombudsman**