

The complaint

Mr B complains about how much Freeway UK Insurance Services Limited trading as Freeway charged him when he cancelled his taxi insurance policy.

What happened

In August 2024 Mr B took out a taxi insurance policy through Freeway for a vehicle he had purchased. After 25 days on cover, Mr B discovered that the vehicle was faulty. He wanted to return the vehicle and so he decided to cancel his insurance. Freeway cancelled his insurance and provided a breakdown of the costs and the amount Mr B owed. Mr B thought he was being charged too much so he complained.

Upon cancellation of the policy, Freeway charged Mr B a £50 cancellation fee and around £397.93 which appears to be their commission. Mr B was unhappy with the charges applied by Freeway when cancelling his policy. Freeway agreed to remove the £50 cancellation, however they said the outstanding balance was due. Freeway maintained that the policy had been cancelled in line with Mr B's policy terms.

Our investigator looked into Mr B's complaint and recommended it be upheld. He didn't think that it was fair and reasonable for Freeway to claw back commission following the cancellation when they hadn't made it clear how much that would be.

Freeway didn't agree. They said their terms of business agreement makes it clear that their commission and fees are fully earned from the date insurance cover commences and may not be refundable in the event of a cancellation. Freeway said Mr B ought to have been aware that this would apply when the policy was cancelled. Freeway said they had complied with the requirements of the Insurance Conduct of Business Sourcebook (ICOBS) and there is no requirement for them to disclose the level of commission unless requested.

As an agreement couldn't be reached, the case has been passed to me 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.

Having done so, I'm upholding this complaint. I'll explain why.

As this decision is against Freeway, I can only consider what Freeway (and not any other business) might or might not have done wrong. I can therefore only comment on the charges applied by Freeway.

I've seen Freeway's terms of business agreement, which says:

"Our commission and/or fees are fully earned from the date insurance cover commences and may not be refundable in the event of cancellation, avoidance, or early termination of a policy."

While I understand why Freeway charge commission when arranging a policy, in general, I only think it's fair and reasonable for a broker to keep that commission upon cancellation when they've made it clear to the policyholder how much commission would be charged in the event the policy is cancelled. That's because Freeway has to ensure it treats its customers fairly and provides information that's clear, fair and not misleading. While the ICOBS doesn't require a broker to disclose the amount of commission to a commercial customer unless it's asked, I also have to think about what's fair and reasonable in all the circumstances. I don't think it's fair and reasonable for a broker to claw back that commission on cancellation of the policy if they didn't let the policyholder know what that cost would be at the point the policy was sold.

Freeway's terms of business agreement doesn't set out how much commission will be retained, and I haven't seen anything else to indicate that Freeway let Mr B know how much commission it would retain if the policy was cancelled. I appreciate that Freeway thinks the terms of business agreement makes it clear that commission will be retained but I don't think the agreement is clear enough for Mr B to have known the amount that would be retained if the policy was cancelled.

As Mr B wasn't aware of the amount of commission that would be retained when entering into the contract with Freeway, I don't think it's fair and reasonable for Freeway to charge this upon cancellation. To put things right, I think the fair and reasonable outcome is for Freeway to refund the commission they charged in full. Due to the time Mr B has been without money he should have had, Freeway should add interest to this amount at a rate of 8% simple per year, from the date Mr B made the payment to the date the commission charged is refunded.

My final decision

My final decision is that I uphold this complaint and require Freeway UK Insurance Services Limited trading as Freeway to refund the commission they charged Mr B. They should add interest on this amount at a rate of 8% simple per year from the date Mr B made the payment to the date the refund is issued.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 18 April 2025.

Ankita Patel
Ombudsman