

## **The complaint**

Mr Y complains that Extracover Limited didn't give him a refund when he cancelled his short-term motor insurance policy within the cooling off period.

## **What happened**

Mr Y took out a short-term policy with Extracover. Mr Y no longer needed the policy after four days and so he cancelled it. He said the online journey explained that if he cancelled within the 14 day cooling off period then he would receive a refund. Extracover said the cooling off period didn't apply to short-term policies and so it didn't pay Mr Y any refund.

Our Investigator recommended that the complaint should be upheld. She thought the policy's terms and conditions stated that the 14 day cooling off period didn't apply to short-term policies. But Extracover didn't provide Mr Y's online sales journey so she couldn't confirm what Mr Y had been told before he took out his policy. And she also thought it was unfair that a contract shouldn't have any cooling off period. To put things right, she thought Extracover should refund Mr Y's premium, less a charge for his time on cover, and pay him £100 compensation for his trouble and upset.

Extracover replied that the regulator's rules state that it's entitled to retain the full premium if a customer cancels a short-term policy. It said this was set out clearly in the policy's terms and conditions.

## **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 can understand that Mr Y feels frustrated that he didn't receive any refund of his premium after he cancelled his policy after just four days on cover. I was sorry to hear that this has had a financial impact on him. Our approach in cases like this is to consider whether the broker's acted in line with the terms and conditions of the policy and fairly and reasonably.

Extracover has told us that the policy contained a condition that for 30 day policies, such as this, there was no refund of premium on cancellation. I think this is a common condition in short-term motor insurance policies, and I don't find it unusual or unreasonable, but it is significant, and I would expect it to be set out in the policy wording and in the summary document.

And I can see that this is set out in the Insurance Product Information Document (IPID):

### ***"30-day policies:***

***You may cancel your policy at any time but there will be no refund available as this is a short-term policy"***

And this is also explained on page 18 of the policy booklet under General Conditions, Cancellation:

*“As this is a short-term policy, there is no cooling-off period. This means that if you cancel the policy, then there will be no refund of any premium paid, whether or not any claim has been made.”*

Usually we'd expect the insurer to issue a full refund to consumers cancelling within the cooling off period. But we think it's reasonable for short-term policies to contain this condition because they are a higher risk to insurers because of late-notified claims.

And I agree with Extracover that the Financial Conduct Authority's 'Insurance: Conduct of Business Sourcebook' (ICOBS) exempts such short-term policies from a 14-day cooling off period:

*“ICOBS 7.1.3 The right to cancel does not apply to: (1) a travel and baggage policy or similar short-term policy of less than one month's duration;”*

So I'm satisfied that the policy's terms and conditions clearly set out that the short-term policy is exempt from the 14 day cooling off period, in keeping with ICOBS 7.1.3, and so no refund would be provided on cancellation.

I've then considered whether Extracover has acted fairly and reasonably in Mr Y's particular circumstances. And I'm not satisfied that it has. I'll now explain why I think this.

Extracover said Mr Y had to read and agree to the policy's terms and conditions when he made his purchase journey online. It said he was then told that there was no cooling-off period, and no refund would be given on cancellation. But Extracover hasn't provided us with Mr Y's online journey so that I can check what he was told during his application.

So, although the policy's terms and conditions are clear on this point, from what I can see these were provided to Mr Y after he bought his policy. And so I can't be satisfied that this exemption was drawn to Mr Y's attention in the online journey before he made his purchase.

Mr Y said that he had read on Extracover's website that he was entitled to a refund on cancellation within 14 days. I think that whilst short-term policies are exempt under ICOBS, most policy terms and conditions provide for a 14 day cooling off period in all cases. And so, without evidence to the contrary, I can't say that Mr Y's recollection is unreasonable.

It follows that I'm not satisfied that Extracover's decision not to pay Mr Y any refund of premium is fair and reasonable. I think it should now do so, with a reasonable deduction for his time on cover. And, as Mr Y has been put to trouble and caused upset for a period, I agree with the Investigator's recommendation that Extracover should pay him £100 compensation. This is in keeping with our published guidance where a single error has had an impact over a short period.

### **Putting things right**

I require Extracover Limited to do the following:

1. Pay Mr Y a refund of his premium with a deduction for the days he was on cover.
2. Pay Mr Y £100 compensation for the distress and inconvenience caused by its administration of his policy.

### **My final decision**

For the reasons given above, my final decision is that I uphold this complaint. I require Extracover Limited to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or reject my decision before 3 June 2025.

Phillip Berechree  
**Ombudsman**