

The complaint

Mr O complains about BISL Limited trading as Geoffrey Car (BISL) cancelling his motor insurance policy and charging him the full year's premium on cancellation.

Any reference to BISL in this decision includes their agents.

What happened

In November 2024 Mr O was involved in an accident in which his vehicle was damaged when he hit a pothole. He contacted BISL to tell them about the incident and make a claim. BISL subsequently assessed the damage and determined that it meant the vehicle was uneconomical to repair and should therefore be deemed a total loss. BISL settled the claim on a total loss basis (£7,070.49 was paid to the finance company under which Mr O was leasing the vehicle and a residual balance of £1,750.51 paid to Mr O).

Because his vehicle had been deemed a total loss, Mr O decided to cancel his policy, which took effect in December 2024. BISL wrote confirming the cancellation (and that his No Claims Discount wouldn't be affected). At the time he made this decision, the claim hadn't been processed, due to a system error. Which meant BISL's system generated a refund of £152.12. From a phone call with BISL, Mr O was told that as the claim wasn't showing, when the system was updated (and the claim confirmed as a fault claim) the full annual cost of the policy would be due.

The claim was subsequently added to BISL's system at the end of December 2024. This generated a letter from BISL to Mr O, in January 2025, saying a balance of £848.54 was due on cancellation of the policy, inviting him to discuss arrangements to pay the sum.

Mr O thought he hadn't been made aware of any additional sum payable under the policy following the cancellation, so he complained to BISL.

In their final response, issued in January 2025, BISL said that following a conversation with Mr O they considered the complaint to have been resolved. Mr O challenged the response and BISL issued a further response clarifying what had happened, referring to the discussion with Mr O in December 2024. BISL confirmed the premium balance of £848.54 was due.

Mr O then complained to this Service, saying he was never told he needed to pay a fee on cancellation and that it would be the remaining balance of the cost of a full year's insurance (£848.54).

Our investigator didn't uphold the complaint, concluding BISL acted within the terms of the policy. The process was explained to Mr O that settling his claim meant they'd fulfilled their side of the insurance contract, so it wasn't unreasonable to ask Mr O to fulfil his side of the contract (payment of the full premium). From a call between Mr O and BISL in December 2024, he was told he'd receive a refund after cancelling the policy but would be contacted for the balance of the premiums due if the claim was closed as a fault claim. With no third party from which to recover the claim costs, the claim would be deemed a 'fault' claim. The policy

terms and conditions clearly stated that if a claim was made, no refund of premium would be given, and all premiums would be due.

Mr O disagreed with the investigator's view and requested that an ombudsman review the complaint. He said he wasn't told by BISL he'd have to pay the full, remaining premium. And the accident wasn't his fault.

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.

My role here is to decide whether BISL have acted fairly towards Mr O.

The key issue in Mr O's complaint is BISL charging the full remaining premium for his policy following its cancellation. Mr O says he wasn't told about this. BISL say the policy terms provide for the full [annual]] premium to be payable where there has been a claim made under the policy during the policy year.

Having considered the evidence and information available in this case, I'm not upholding the complaint. I know this will be disappointing to Mr O so I'll set out why I've come to this conclusion.

What isn't in doubt is that Mr O made a claim under his policy for the damage to his car as a result of his driving into a pothole. While I haven't seen details of the incident and the settlement, the indications are that the damage to the vehicle meant it was a total loss. So, BISL settled the claim on that basis.

The circumstances of the incident meant there was no third party involved, meaning BISL weren't able to recover their outlay on the claim. Consequently, this meant the claim would necessarily be recorded as a 'fault' claim. In this context, it's important to note that 'fault' doesn't mean blame for an incident, as Mr O believes. 'fault' means that the insurer (BISL) bears the cost of the claim and cannot recover that cost from any other party. So, while I understand why Mr O believes the incident wasn't his fault, the claim was properly recordable as a 'fault' claim. Although, from what I've seen, there appears to have been some delay in the claim being recorded (finalised) as 'fault' and therefore recorded as 'open' up until that point.

Looking at the policy terms and conditions, the Welcome Pack issued with the policy includes a section headed *Important Information About our Insurance Intermediary Services* and a sub-heading *Cancellation fee* under which there's the following statement:

"If either you or we cancel more than 14 days after receiving your policy documentation BISL Limited will charge you a fee of £60 plus the cost for the period of cover you have benefitted from.

This is providing no claims have been made. If a claim has been made or there has been an incident which may lead to a claim, no refund will be given, and all premiums will be due."

Similar wording is included in the policy document under *Section 14 Cancellation*.

The first paragraph above means that if a policy is cancelled after 14 days (which would be the 'cooling off' period) then a policyholder would only pay the fee of £60 and the pro rata amount for the number of days they had been under cover. And they would receive a pro

rata refund of the premium for the unused period of cover. This would be adjusted where a policy premium was being paid in instalments (as opposed to the full premium having been paid upfront).

However, in this case, the second paragraph is key here. It makes it clear that where there's a claim (during the period of insurance) then there is no refund of premium and – crucially for this case – the full premium for the policy will be due. That is, the full annual premium for the policy. This is standard in motor insurance policies and reflects the contractual nature of a policy. That is, in exchange for the premium paid by the policyholder, the insurer agrees to indemnify them for the costs of any claims made under the policy. Mr O's policy document makes this clear in *Section E Contract of Insurance*.

In this respect, Mr O has been treated in exactly the same way as would any other policyholder making a claim under their policy. So, he hasn't been treated any differently – or unfairly – compared to any other policyholder in similar circumstances.

This principle applies equally where a policy is cancelled partway through its term, which is what happened in this case, when Mr O decided to cancel his policy. A claim having been made (and settled) then the full policy premium becomes due. This is why BISL wrote to Mr O in January 2025 to tell him there was a balance due (£848.54) following cancellation of his policy in December 2024.

Mr O says he wasn't made aware of the full premium becoming due when his claim was updated on BISL's system. From the call recordings, I think the BISL agent could have been clearer about this. However, this doesn't change the fact that the policy terms and conditions make it clear that the full premium is due where a claim is made under a policy.

Taking all these points together, I've concluded BISL have acted fairly and reasonably, so I won't be asking them to take any further action.

My final decision

For the reasons set out above, my final decision is that I don't uphold Mr O's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 8 August 2025.

Paul King
Ombudsman