

The complaint

Miss M complains about charges applied by Somerset Bridge Insurance Services Limited ('Somerset Bridge') after her car insurance policy was cancelled.

What happened

In November 2024, Miss M took out a car insurance policy through a price comparison website with Somerset Bridge acting as the broker.

Around a fortnight after her policy started, Miss M wanted to change the vehicle on cover because she'd exchanged her car for a different one. However, the insurer didn't agree to cover the new car, resulting in the policy being cancelled on 14 December 2024. When the policy was cancelled, Somerset Bridge informed Miss M she owed an outstanding balance of £351.05. Miss M complained this was unfair because it wasn't her fault the policy was cancelled, and she'd only been on cover for a very short amount of time.

Somerset Bridge provided a final response to this complaint on 8 January 2025. It said it had agreed as a gesture of goodwill to waive the cancellation charge but the remaining balance of £351.05 was comprised of a pro-rata payment of premium for the time on cover, an annual policy arrangement fee and the cost of add on products purchased which it believed were calculated correctly and weren't unfairly applied.

Dissatisfied with this response, Miss M brought her complaint to us. Our investigator didn't think Somerset Bridge had acted fairly. She said although the cancellation fee of £75 was waived, an arrangement fee of £384.64 was charged by Somerset Bridge. The investigator said she had asked Somerset Bridge to provide evidence to show how the fee was calculated so that she could check it was proportionate to the service Somerset Bridge had provided.

But because Somerset Bridge didn't provide this evidence, the investigator didn't think it had shown the arrangement fee was reasonable. So, to put this right, she recommended it reduce the arrangement fee to £100 and recalculate the outstanding balance accordingly.

Because Somerset Bridge didn't agree, the complaint was referred 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've decided to uphold this complaint. I'll explain why.

I'll begin by saying that I won't be making any finding in this decision about the cancellation itself. That's because the cancellation arose from a decision made by the insurer of the policy and not Somerset Bridge. So, if Miss M thinks that the cancellation itself was unfair, she will in the first instance need to complain directly to the insurer.

The arrangement fee of £384.64 was a fee charged by Somerset Bridge. So, I'll be considering in this decision if it was fair and reasonable for Somerset Bridge to have applied that charge to the outstanding fee balance after the policy was cancelled.

I've firstly considered if the fee was brought to Miss M's attention when she took the policy out.

The FCA sets out rules and guidance for firms selling and providing insurance in its ICOBS sourcebook. A copy of which is available on the FCA's website.

ICOBS 6.1.5 R requires firms to provide a customer with appropriate information about a policy in good time and in a comprehensible form so that the customer can make an informed decision about the arrangements proposed. In the case of a firm proposing a policy, ICOBS says that 'in good time' means prior to the conclusion of the policy.

Our investigator asked Somerset Bridge to provide evidence showing what Miss M was shown during the sales journey. Although Somerset Bridge has provided copies of Miss M's policy documents, it hasn't shown what information she was provided with prior to the conclusion of the policy. Crucially, that means it hasn't shown Miss M was informed about the presence, cost and applicability in full upon cancellation of the policy of the arrangement fee.

In the absence of such evidence, I don't find Somerset Bridge has shown it was clear and transparent with Miss M before she took out the policy that she would be charged the arrangement fee in full in the event her policy was cancelled.

I think this is important because had Miss M been informed during the sale that she would be required to pay a fee of £384.64 if the policy was cancelled at any point after the initial 14 day cooling off period, it may have affected her decision on whether to take out the cover.

I've next considered if the arrangement fee was fair and proportionate. ICOBS 7.2.2 R says that upon cancellation of a policy a firm must not charge an amount which exceeds the proportion of the service already provided, and in any case should not be construed as a penalty.

While specifically this relates to cancellation within the cooling off period of a policy, we generally consider it reasonable for the same principle to apply after the cooling off period.

The investigator said that a breakdown of the £384.64 fee was requested but not provided by Somerset Bridge, and in the absence of this she didn't think Somerset Bridge had shown the fee was proportionate. After the investigator provided her opinion, Somerset Bridge hasn't since provided any more evidence showing how this fee was calculated.

I acknowledge that Somerset Bridge instead provided two examples of other complaints considered by us which it says are similar. But this Service considers each case on its own merit.

Ultimately, I don't think it's unreasonable for Somerset Bridge to charge a fee for the services it provided to Miss M including setting the policy up and administering it or for it to make a reasonable profit from providing those services.

But Miss M only held her policy for 19 days before it was cancelled, and Somerset Bridge has applied the full arrangement fee of £384.64 to what she owes. Given that the Terms of Business show Somerset Bridge charge separate nominal fees for general administration of

the policy such as mid-term adjustments, it appears that primarily this arrangement fee was for the services Somerset Bridge provided to inception the policy.

And Somerset Bridge needs to show that the arrangement fee it applied in full upon the cancellation of the policy was fair and proportionate for those services which it had provided. But because it hasn't provided any further evidence showing specifically how it calculated the arrangement fee, I don't find it has provided enough to show the fee was fair and proportionate. So, I don't find it acted fairly by applying this fee in full upon the cancellation of the policy, and as such I've considered what it should do to put things right.

Having done so, I've reached the same conclusion as the investigator that it would be fair and reasonable for Somerset Bridge to reduce the arrangement fee from £384.64 to £100 and to recalculate the outstanding balance based on this reduction.

I have decided this is fair because, while I find that Somerset Bridge has not clearly demonstrated that the arrangement fee was disclosed transparently to Miss M at the point of sale, the dominant factor is the lack of sufficient evidence to show that the fee charged was proportionate to the service provided.

While it isn't unreasonable for Somerset Bridge to charge for its services, without sufficient evidence to support the fairness or proportionality of the fee amount, I am not persuaded that it was fair to apply the full fee following the cancellation.

I am not suggesting this is the exact amount Somerset Bridge should have charged for its services, but in the absence of sufficient evidence to the contrary, I find there is a risk of detriment to Miss M of being unfairly charged if she was charged more than £100 for the arrangement fee. So, I find reducing the arrangement fee to £100 and amending the outstanding balance to reflect this to be a fair and reasonable resolution to the complaint.

Putting things right

I require Somerset Bridge to reduce the arrangement fee from £384.64 to £100 and to recalculate the outstanding balance Miss M owes following the cancellation of her policy to include this reduction.

My final decision

I uphold this complaint, and I require Somerset Bridge Insurance Services Limited to carry out what I've set out in the 'Putting things right' section of this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 7 August 2025.

Daniel Tinkler
Ombudsman