DRN-5589496

The complaint

Mr S complains Herts Insurance Consultants Ltd trading as Sterling Insurance Services ("Sterling") has unfairly asked for the entire insurance premium to be paid, despite his car being stolen.

What happened

Mr S had a car insurance policy arranged through Sterling. In October 2024 Mr S' vehicle was stolen. His insurer settled the claim for the market value of Mr S' vehicle. Sterling told Mr S that the policy premium, which Mr S was paying monthly, was still payable.

Mr S complained about that, he said he shouldn't have to pay for a product he no longer has, since the insurance was cancelled in November 2025. He said he was advised by a friend to stop paying for the insurance.

Sterling didn't agree to change its position on the complaint. It said when a claim is made on an insurance policy, the underwriters don't provide any return of premiums on cancellation. As such, Mr S still owed around £2,000 for the premium.

Unsatisfied with that response, Mr S referred his complaint to the Financial Ombudsman Service for an independent review. He said if he had a house that he'd taken insurance out on for two years, and it burned down on year five, he wouldn't be expected to pay for the house to be insured for a further 15 years if the house didn't exist.

Our Investigator was satisfied that Sterling's position was in line with the terms and conditions of Mr S' insurance contract, and it was fair and reasonable for it to ask for the outstanding premium to be paid.

Mr S didn't accept that, and asked for an Ombudsman to review the complaint. It has now come 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 reached the same outcome as our Investigator, for the same reasons. I know this will come as a disappointment to Mr S, but I hope my findings below are helpful.

Car insurance policies, like most insurance policies, often have a policy term of one year. The insurer agrees to insure something (so in this case, a car) in return for a premium being paid. The premium is paid to the underwriter at the start of the policy term, in exchange for cover.

However, most car insurers will allow their customers to pay for the insurance in monthly instalments. In this case, Mr S didn't pay the underwriter for the cost of his insurance policy, the finance company did that, which is arranged by the broker, Sterling. Mr S then reimburses the finance company through a finance agreement, spreading the cost of the insurance policy over the year in monthly instalments.

When Mr S' car was stolen, the underwriter paid Mr S for the market value of the car. The policy was then cancelled, since there was no vehicle to insure. Sterling has explained that when a claim is made on a policy, the full year's policy premium is payable. So the underwriter has retained the full premium payable for the year, it hasn't given Sterling a refund for the remainder of the policy term.

So there is still an outstanding amount for Mr S to pay for the rest of the policy, even though he no longer has the car. I don't agree with him that simply because the car has been stolen, he doesn't need to pay for his insurance premium. It's important to set out here that Mr S hasn't complained about the underwriter, or its decision to retain his full premium. I've included this detail only to highlight why I consider it fair and reasonable that Sterling is still pursuing Mr S for the premium. That is because I'm persuaded the underwriter has kept the full premium that Sterling (through the finance company) paid to it.

I also don't agree with the housing analogy Mr S gave. As far as I'm aware, standard home insurance policies run for 12 months. You can get shorter cover, but it's unlikely he could insure a home for twenty years. And if a home he had insured for one year did burn down in that year, then the same principle would likely apply, he'd still pay the full premium for that policy year.

I think what Mr S is saying is that he has no need for the policy now, since the car has gone, and so the monthly instalments are paying towards something that isn't there. But as set out above, the full premium has already been paid to the underwriter, arranged through Sterling. All he is really doing is repaying the annual premium, which is due, in monthly instalments. And he has had the benefit of the insurance, as the underwriter has paid him for the market value of his vehicle.

If Mr S doesn't pay Sterling, it is Sterling (and the finance provider) that loses out, even though Mr S has had the benefit of the car insurance policy. That isn't a fair and reasonable outcome. I sympathise with Mr S that he's had his car stolen, but that doesn't mean he shouldn't have to pay for his insurance policy when he's had the benefit from it.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 16 July 2025.

Michelle Henderson
Ombudsman