

## **The complaint**

Mr T complains U K Insurance Limited (UKI) Trading as Direct Line has unfairly charged a cancellation fee when he cancelled his commercial property insurance policy.

## **What happened**

Mr T had a commercial property insurance policy on a property he owned. The policy renewed in December 2023. Having sold the property in July 2024, he asked UKI to cancel the policy, which he'd been paying in monthly instalments from the start of the policy year. UKI said the policy could be cancelled, but a fee would apply.

Mr T disputed that a fee should be applied and complained. UKI didn't agree to change its position and so Mr T referred matters to the Financial Ombudsman Service.

Our Investigator didn't think UKI had acted unreasonably in charging a cancellation fee. Mr T didn't accept that and asked for an Ombudsman to consider matters. He said he didn't think the fee should be payable because he told UKI he didn't need the policy for the full year, and he'd been paying monthly for the insurance which was more expensive than paying for an annual policy.

As the matter hasn't been resolved, it has 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 reviewed matters I agree with the outcome reached by our Investigator, I've explained why below.

The terms of Mr T's policy say a cancellation fee will be charged for policies cancelled after the 14-day cooling off period. Mr T cancelled his UKI policy after around eight months – having sold the insured property. As such, this is outside of the cooling off period and so UKI can charge a cancellation fee under the terms of the policy. I've seen nothing to suggest it calculated the amount charged incorrectly.

Mr T says he told UKI he only needed cover for a short time, but UKI says the policy was taken out online in 2021 and was renewed online since. It's provided information it shares at renewal about the cancellation charges, which I'm satisfied is clear that they will be charged, outside of the cooling off period. The policy terms also set out how the fee will be worked out, with the maximum payable being £50 plus insurance premium tax. So I'm satisfied in this case that UKI made it clear to Mr T there would be a cancellation fee, and the likely cost of it. I also consider the fee itself is broadly in line with what we'd expect and consider reasonable. So I don't consider UKI has acted unfairly.

UKI has explained it only sells annual policies, if Mr T had wanted a shorter insurance term, knowing the property would be sold before the end of a typical policy year, then he could have arranged alternative insurance cover elsewhere.

However, from his comments, I consider Mr T seems to be under the impression that because he was paying monthly, this meant he hadn't signed up an annual insurance policy. And so he felt he could cancel the insurance policy whenever he wanted, without paying any

fee. I can't say that UKI is responsible for him forming that impression though; I haven't been provided with any evidence to support UKI told Mr T this is how it would work.

The policy Mr T took out does not work on a 'rolling basis'. As UKI has said, it is an annual policy, with the premium charged up front. But some people – like Mr T has in this case – choose to take out a credit agreement, to spread the cost of the insurance premium over the 12-month policy term. That means the credit provider pays UKI for the cost of the policy when it's taken out, and Mr T effectively repays the credit provider for his insurance policy through his monthly instalments.

Mr T has said paying for the insurance monthly has been more expensive than paying up front. I consider that is likely to be the case, but it seems to have been Mr T's choice to pay in this way; I can't say this was as a result of any failure on UKI's part.

As such, I find UKI has acted reasonably in charging a cancellation fee and I'm not going to require it to do anything differently.

### **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 T to accept or reject my decision before 15 October 2025.

Michelle Henderson  
**Ombudsman**