

The complaint

Mr and Mrs C are unhappy the service provided by their broker Smart Insurance Services Ltd ("SIS"). SIS were procuring a home insurance policy on their behalf.

What happened

After purchasing a home which had historic subsidence issues, Mr and Mrs C managed works on their property to ensure it was structurally sound. However, due to the historic subsidence, Mr and Mrs C used an expert broker to find them suitable home insurance cover at the most economic price.

SIS arranged cover through its panel of insurers for a period of around 5 years. However, frustrated at how the cost of their policy had increased significantly over the period, Mr and Mrs C started scouring the market themselves using comparison websites.

Mr and Mrs C said they found cover at a much lower cost through a different insurer, so it doesn't think SIS has been doing a good job and thinks they have suffered a financial loss consequently. Mr and Mrs C decided to cancel their policy, so they could move to a cheaper alternative with a different insurer. However, they were horrified at the charges SIS said it would apply if they went ahead with the cancellation.

SIS explained that the charges it applied were consistent with those set out in its terms and conditions which Mr and Mrs C had agreed to. As a gesture of goodwill, it said it would waive part of these charges – the administration fee for the cancellation. Mr and Mrs C said they weren't aware of the charges and if they had it would've led to them look at alternative routes to accessing the right insurance cover.

Our investigator decided to uphold the complaint. Whilst, he didn't see anything wrong in how SIS had arranged cover, he didn't think SIS had made it clear what all the charges would be if Mr and Mrs C decided to cancel the policy, so he said it wasn't fair for SIS to charge some of these. SIS disagreed, so the case has been referred to an ombudsman.

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.

When looking at the cancellation, I can see there are four components to what is refunded to Mr and Mrs C if they choose to proceed. They'd get a refund of the premiums relating to the remaining term on the policy, less an administration charge for SIS administering the cancellation plus a set fee administration charge to the insurer as defined in the policy. Mr and Mrs C were happy with the refund of the premiums and the insurer's administration fee. And SIS have said it would waive the administration charge. So, these component parts making up the refund were accepted by Mr and Mrs C.

However, before the refund was paid, SIS also held back its full commission for arranging the policy. Given this was a significant amount, it reduced the amount that would be

refunded to a much lower amount, which made Mr and Mrs C question whether it was worth switching to a new provider mid-term.

It's important for a business to set out clear terms and conditions on what it plans to charge a customer. SIS said in its final response letter:

"The renewal letter breaks down the premium and discloses all fees payable:

Our renewal letter, issued in good time (20 days before renewal) [on] page 3 under Our Remuneration clearly states: We arrange a policy for you with an insurer. For this service, the insurer pays us a percentage of your premium as a commission. We also charge administration fees which we've set out in the total cost section of this letter.

Furthermore, it also states: If you make a change or cancel your policy mid-term (other than in the 14-day cooling-off period), and this results in a refund, we will retain all fees and commissions to cover our administration and advisory services.

As a gesture of goodwill I am prepared to remove our £35.00 cancellation fee".

SIS has further explained to our service it has operated in line with industry standards and regulations. However, in correspondence with our investigator, it changed its offer by saying it would refund the commission on a daily pro-rata basis (rather than keeping all the commission). Mr and Mrs C rejected this offer as they didn't think SIS' approach was fair.

There are no rules set out which explain what a broker may charge when a policy is cancelled, however, we'd expect the charges to be proportionate to the services provided and for these details to be clearly set out in literature shared with Mr and Mrs C when they purchased the policy.

SIS has shared details from its terms and conditions. However, I don't think it sets out clearly in monetary terms how much money it would charge if the policy was cancelled. It only explains that it *"will retain all fees and commission"*, however, there is no way from looking at the documentation for Mr and Mrs C to determine exactly what these charges would be. Additionally, given the materiality of these charges, I'd expect any sales documents to clearly highlight in either monetary terms or a percentage commission rate, so Mr and Mrs C could work out the actual monetary amount themselves. Having reviewed the documentation, I can't see this is the case.

SIS has explained it would've shared this information with Mr and Mrs C if they had asked. However, this information is integral to the contract and therefore it's important this information is transparent for the customer to understand. As these charges aren't transparent, I don't think SIS has been fair in charging any commission at policy cancellation.

I appreciate SIS has now offered to only deduct the commission on a pro-rata basis to the policy term, however, it has said this after the event and it's not set out in the policy. I don't think it's fair. Therefore, I uphold this part of the complaint. If the policy has been cancelled then, I require SIS to ensure it has not deducted any fees related to its commission when determining the refund due to Mr and Mrs C. Should the policy be cancelled in the future, I expect SIS to apply this same approach.

As Mr and Mrs C have already responded to our investigator and indicated they don't expect to be refunded the difference in premiums if they now go to the market and can't find the cheaper deal they'd already found, I haven't found it necessary to consider this point any

further. I think this is a fair outcome, as Mr and Mrs C have had opportunity already to source the cheaper cover had they wanted to.

Finally, I've considered whether SIS has acted fairly in procuring cover for Mr and Mrs C historically. As Mr and Mrs C said they could've procured cheaper insurance themselves over the years.

I've reviewed the documentation SIS has shared with Mr and Mrs C in recent years as part of providing them insurance. I think this documentation is clear that SIS have approached several insurers rather than the whole marketplace. Brokers will tend to work with a panel of insurers, who they trust and know to provide reasonable service to customers. In Mr and Mrs C's specific case, SIS' approach was to secure them insurance when their property had a history of subsidence. I think SIS has shown clearly the pricing by different insurers and who wasn't able to offer cover. I think this is very transparent.

As Mr and Mrs C had been with SIS for a number of years and given it didn't access cover from the whole of the market, I think SIS has clearly stated in its documentation that its products may not be the cheapest in the marketplace and its highlighted that it might be in Mr and Mrs C's interests to shop around. So, I think it has been fair in its approach here.

Many insurers offer different types of cover, with different terms and conditions, inclusions and exclusions and limits of liability, so it's extremely difficult to compare policies on a like for like basis. I think SIS has shown it has followed a reasonable process, so I don't uphold this part of the complaint.

My final decision

My final decision is that I partially uphold this complaint. I require Smart Insurance Services Ltd to:

- ensure it has not deducted any fees related to its commission (if the policy has been cancelled) when determining the refund due to Mr and Mrs C. SIS should re-imburse Mr and Mrs C if it has. And if the policy is cancelled in the future, I expect SIS to apply this same approach.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Mrs C to accept or reject my decision before 19 November 2025.

Pete Averill
Ombudsman