

The complaint

Mrs P complains that RAC Financial Services Limited ('RAC') unfairly charged a cancellation fee when she cancelled her motor insurance.

What happened

Mrs P bought an RAC breakdown insurance policy online on 20 February 2025 to start on 31 March. On 27 March she found alternative cover and asked RAC to cancel her policy.

RAC charged her a £25 cancellation fee. Mrs P was unhappy with this. She said:

- She *"had never been advised that there would be a charge before commencement."*
- The online information says the £25 fee is payable *"if cancellation occurs within 14 days of membership commencement."* Her membership start date was 31 March.

RAC explained that the policy schedule and online customer 'journey' both tell Mrs P that the £25 cancellation fee is applied if the policy is cancelled between the date of joining and up to 14 days after the policy start date. Date of joining is the date she bought the policy, not the policy start date.

Mrs P didn't agree and brought her complaint to this service. She thought any reasonable person would think her membership start date was the joining date. She told us that if RAC had made it clear in the application process that this fee would be charged before the policy start date, she would have waited before buying the policy. She wants RAC to refund the fee.

Our investigator didn't recommend that the complaint should be upheld. He found that RAC had clearly explained the cancellation fee during the online sales process and in the policy documents. He was satisfied that the fee had been charged in line with the policy terms and was fair. Mrs P didn't accept this, so the complaint was passed to me.

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.

First, I've looked at the online application process. RAC has provided screenshots showing what the customer would see at each stage of the process. This includes a warning under the heading 'What you'll pay if you cancel'. This says: *"If you cancel between the date you purchase and up to 14 days after your cover start date, we'll charge you £25."* The final step of the process was to select 'Buy now'.

Mrs P doesn't think this reflects what she saw online. She says she'd remember a warning about the £25 fee and that she was buying the policy immediately. She thinks the screenshots RAC gave us show a different process because they show the process for buying a policy with an immediate start date.

I'm afraid I disagree with her. I went through the sales journey myself to see what information I was told. I ran this process using both a future start date and an immediate start date.

The only difference I found from the screenshots RAC provided was that the wording under 'What you'll pay if you cancel' was slightly different. This says: *"You can cancel your policy at any point. Depending on the point you cancel and if you have used service fees may vary."* It provided a link to a page headed 'Cancelling your policy' which includes a table explaining the policy cancellation fees. This shows that for a 12-month policy paid monthly, cancelled within the cooling-off period, the cancellation fee is £25. It also explains that the cooling-off period *"starts **the moment you buy the policy** and ends: 14 days after the start date listed in your schedule, or 14 days after you receive your documents, if this is later."* [my emphasis]

However – I think importantly – the online text was exactly the same whether I wanted the policy to start immediately or at a future date. So I think this might have changed since February. RAC has shown that the text when Mrs P took out the policy quoted the cancellation fee without having to click a link to find it.

Either way, I'm satisfied that she was given information about the cancellation process and applicable fees during the sales process. And I'm satisfied that the 'Buy now' option confirmed she was buying the policy immediately, not arranging to buy it at a future date.

I'm also satisfied that the policy documents set out the cancellation fee. The policy schedule says: *"If you cancel within 14 days of joining, we'll charge £25 to cover the arrangement and administration of your policy during this time."* Page 24 of the policy booklet gives the same table of fees and cooling-off period information as above.

Mrs P believes her joining date should be the policy start date. I understand her argument, however I think the explanation of the policy cooling-off period in both the online sales process and the booklet is clear.

For the reasons above, I'm satisfied that the fee was charged in line with the policy terms and was explained to Mrs P both before and after she bought the policy.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 17 October 2025.

Simon Begley
Ombudsman