

The complaint

Mr D complains that U Drive Cover Limited (U Drive) unfairly charged a cancellation fee when he decided not to go ahead with a car insurance policy following an increase to the premium quoted.

What happened

The circumstances of the case are well known to both parties, but in summary, Mr D applied for a motor insurance policy through a comparison site in April 2025. Mr D was quoted a price of around £410 based on the information he had provided and so decided to go ahead with the policy and paid a deposit of around £40.

U Drive subsequently completed validation checks with Mr D over the phone and found differences in the information he had provided. It amended the cover accordingly and informed Mr D that the premium had increased.

Mr D made the decision not to go ahead with the policy. But U Drive retained the deposit paid as it explained Mr D was subject to a cancellation fee. Unhappy with this, Mr D complained.

U Drive didn't uphold the complaint. It said that as Mr D decided to not go ahead with the policy following the policy amendments, it was entitled to charge £45 in line with its Terms of Business.

Mr D referred his complaint to this Service. Our Investigator didn't uphold the complaint. They concluded that Mr D was notified of the charges when applying for the policy and didn't think U Drive had applied it unfairly.

As Mr D disagreed, the case has been passed to me for a decision.

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 won't be upholding this complaint. I'll explain why.

I should first explain that U Drive was acting in its capacity as a broker. And so, it was responsible for the setting up and administration of the policy. It isn't responsible for the price of cover as this is determined by and is the responsibility of the insurer of the policy.

When Mr D applied for the policy, he was asked several questions to determine what cover he required and to enable an insurer to establish what the overall risk of Mr D making a successful claim was. In particular, Mr D was asked about his intended use of the vehicle he wished to insure, his occupation as well as when he wanted the policy to start. And there is an onus on Mr D to ensure his answers are correct and accurate when applying for a policy.

The price Mr D was quoted was based upon his answers to these questions and U Drive confirmed that its premiums were subject to satisfactory validation and verification checks. He was also provided with a copy of U Drive's Terms of Business which set out how its brokerage services worked and its fees associated with this. Mr D was asked to confirm he understood this before proceeding with making the deposit payment.

Once the application was completed, U Drive contacted Mr D to complete the checks. During the call, it identified Mr D would be using the vehicle to commute to a single place of work, and that his occupation required a minor amendment. U Drive also identified Mr D required his policy to start a couple of days later than originally stated as he already had cover in place that hadn't lapsed. U Drive put the amended details to the insurer who confirmed the price would increase as this change in information was material to its ability to offer cover.

Mr D didn't agree to the increase in premium and decided not to go ahead with the policy – which he was more than entitled to do. But, U Drive was also entitled to exercise any fees for this. The Terms of Business, which Mr D confirmed he had reviewed during the application, confirmed that if Mr D decided to cancel the policy before it started, then he would be subject to a cancellation fee of £45. And as Mr D's initial deposit was less than this fee, I don't find it unreasonable that U Drive retained Mr D's deposit – which is more favorable than the full cost of the fee.

It isn't for this Service to determine what fees a broker charges for its services. These are ultimately determined by the broker using its commercial discretion. And relevant regulatory rules say any cancellation fee can include any sums a firm has reasonably incurred in concluding the contract and shouldn't include any element of profit.

I recognise Mr D feels the cancellation fee is disproportionate, especially given the policy never started and he never had the benefit of cover – however, U Drive has confirmed the cost it incurs in setting up a policy exceeds this fee. And I accept that U Drive has overheads in arranging and administering cover and completing its validation checks. These checks are intended to ensure policyholders have the right cover in place, as any discrepancies could lead to a policyholder not having valid cover – which could lead to far more detriment in the event of a claim. For example, had Mr D needed to claim under this policy due to an incident during a commute to work, he wouldn't be covered based on the answers he originally provided – which could significantly impact Mr D financially.

So, for the reasons I have explained above, I don't find that U Drive has acted unfairly in its application of the cancellation fee.

My final decision

While I recognise Mr D will be disappointed, 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 D to accept or reject my decision before 29 December 2025.

Oliver Collins
Ombudsman