



The complaint

Ms P has complained that EUI Limited unfairly and unreasonably charged her a cancellation charge when her motor policy was automatically renewed and she then cancelled her policy after the first 14 days. Ms P refused to pay the cancellation charge. Subsequently EUI reported it to her credit report

What happened

Ms P insured her car with EUI as the policy administrator, since 2019 and permitted that policy to automatically renew until 14 May 2022 with no issues.

EUI said it provides automatic renewal on its motor policies to make it easier for policyholders to stay insured.

EUI in common with many other providers permits its policyholders to pay the premium in monthly instalments. This means that the policyholder makes a separate agreement to pay the premium in instalments with interest on the loan added to the payments. This loan agreement here is made between the policy administrator EUI and Ms P.

Ms P believes that as she didn't sign the credit loan agreement at this policy renewal then she didn't have to pay any cancellation payments as she wanted to cancel her motor policy with EUI at that time, as she said she was going to have her car SORN. However her car wasn't SORN until 30 May 2022 so well after the policy renewal date which was 14 May 2022.

EUI said it provided Ms P with the policy renewal invite via its portal on 24 April 2022. EUI said both the renewal invite and the other policy documents explain what Ms P needs to do if she didn't want her policy to renew and what would be charged in fees if she wanted her policy cancelled. EUI said it received nothing from Ms P within the first 14 days of the policy renewing explaining she no longer wanted to insure her car with EUI. Therefore it was entitled to charge her cancellation charge since she cancelled the policy outside the first 14 days.

On that basis when Ms P cancelled her policy on 1 June 2022 after the expiry of the first 14 days, EUI charged her the cancellation fee and 'time on risk' which amounted to £44.54.

EUI explained that on the renewal date of 14 May 2022, the premium charged with the credit fee was a total of £306.54. Ms P made one premium instalment payment by direct debit on 17 May 2022 of £25.71. Had Ms P not paid this premium instalment she would have been charged the £55 cancellation fee plus £15.25 for the 'time on risk'. That would have amounted to £70.25. But as she paid her premium instalment of £25.71 then £70.25 less £25.71 is £44.54 which is what EUI charged her. As she refused to pay that sum it was duly sent to the credit agencies to be put on her credit report.

Therefore EUI didn't think it had done anything wrong. Ms P disagreed and brought her complaint to us. The investigator also didn't think EUI had done anything wrong. As Ms P continued to disagree her complaint has been passed 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'm not upholding this complaint. I do understand and appreciate Ms P will be very disappointed, so I'll now explain why.

First, when a consumer brings their complaint to this service, we open a case file. In that case file is every single piece of communication we have received, or that we have initiated with the consumer and the business to include all emails, all letters, all phone calls including attempted calls, to also include any communications from the parties to our help lines and

literally everything else. I understand that Ms P was concerned about email threads possibly not getting forwarded on to me. However every email is attached to her case file, and it is that case file that I read in order to come to my decision. We don't have a system where any communication from either party to the complaint is not kept on the consumer's case file. So I hope that assures Ms P that I have truly read everything sent in by her and EUI pertaining to her complaint.

I also understand that from the call recording with the investigator, Ms P isn't from the UK, although she has lived here for some time, but she explained to the investigator that she is somewhat unfamiliar with the insurance regulatory framework in the UK.

The policy administrator and the policy underwriter.

All insurers are regulated by the Financial Conduct Authority (FCA). It's also permitted and not uncommon like with EUI to have separate entities dealing with the underwriting function and the policy administrating function. So in effect another entity is the underwriter and EUI here is the policy administrator on behalf of the underwriter.

Under the FCA regulations all non-advised insurance policies (which is where the consumer received no advice about which motor insurer might be better for their needs) must have a 14 day cooling off period where cancellation of the policy can occur with the policyholder receiving a full refund of premium provided no claim has been made. However here, EUI also charges a policy set up fee of £25 if the policy is cancelled within the first 14 days. That is also permitted by the regulations and whilst less common, some other insurers or brokers will also have this kind of setup fee too.

Once that 14 day cooling off period has elapsed, then the regulations permit the insurer or the administrator on behalf of the insurer to also charge a cancellation fee. This service considers these cancellation fees must be fair, reasonable, and not extortionate. I consider a cancellation charge of £55 to be reasonable and in line with what this service would consider as being reasonable too. I also consider it was right of EUI to take account of the fact that Ms P paid the first premium instalment too. Given there was a period of time from 14 May 2022 to 1 June 2022 where Admiral were on 'risk' for this policy (despite Ms P only choosing third party cover and not comprehensive cover) it is also entitled to charge what is called a 'time on risk' cost. So that's where the figure of £44.54 came from which I now consider remains owed by Ms P to EUI.

As all cars in the UK are required to have insurance unless the car is SORN, insurers generally then will charge a 'time on risk' charge when the premium paid up to the date of cancellation didn't cover the actual 'time on risk' which happened with Ms P. So Ms P's initial payment of her premium instalment didn't adequately cover the time from 14 May to the 30 May when her car was then SORN.

Ms P is correct that she can cancel a policy at any time, but she will always be responsible for any 'time on risk' costs not already paid by her premium and any administrative fees like cancellation charges also.

The credit loan agreement

In insurance law the premium is payable when the policy starts. Most motor and household insurers permit by concession only, their policyholder to pay the premium in monthly instalments. To do it this way, a credit agreement is created which also charges the policyholder interest on the premium amount which in effect then increases the total premium amount payable. Ms P chose to pay her premium this way with EUI.

Obviously in legal terms that is a separate agreement hence why Ms P received the credit agreement which remains generally unsigned by the policyholder too, since Ms P was never asked to sign it. The lack of signing actually stops the credit holder from doing specific things in relation to getting back the money paid, namely, to *automatically* begin legal proceedings to recover the debt. But otherwise the lack of signing this agreement doesn't stop it being enforceable generally. However, Ms P doesn't owe this cancellation charge to EUI under the credit agreement, as that is merely for the payment of the premium.

So Ms P's issues with the credit loan agreement are irrelevant here.

Ms P's agreement with EUI, the administrator of the policy

Ms P owes this cancellation charge and time on risk via her agreement with EUI. In that agreement it explains the relationship between EUI and the underwriter. This agreement has been given to Ms P both when she first took out this policy with EUI and at every renewal.

This agreement says:

'In addition to the contract that you have with the Authorised Insurers, you have a separate agreement with EUI Limited for the arrangement and administration of your insurance policy. This agreement covers the specific insurance intermediary services that we provided directly to you, in addition to other services that we may provide to you on behalf of the Authorised Insurers. The services and the charges applied under this Agreement are shown below. Please use this information to decide if our services are right for you.'

...

Cancellation within 14 days

If you wish to cancel your policy, you must contact us. If you cancel your policy between the date you purchase and up to 14 days after the start of a new policy, EUI Limited will make an intermediary charge to cover the costs of setting up your policy and arranging for it to be cancelled. This will apply even if you cancel before the cover begins. If a claim has been made the full premium for the year will be due. If your policy covers more than one product, EUI Limited will select the single highest cancellation charge that applies, from the list below. If you have purchased any policy upgrades separate to your policy you will receive a full refund, provided a claim has not been made.

...

Cancellation after 14 days

If you wish to cancel your policy you must contact us. If you cancel your policy after the 14 day cooling off period, but before the end of its term, EUI Limited will make an intermediary charge to cover the costs of setting up your policy and arranging for it to be cancelled. The insurer will also make a charge for the time on cover. If a claim has been made the full premium for the year will be due. If your policy covers more than one product, we will select the single highest cancellation charge that applies, from the list below. We will also apply an additional charge of £5.00 if you have purchased any motor Policy Upgrades.'

I appreciate that Ms P didn't notice this document in the portal when she received the renewal invitation, but it is clear it was sent to Ms P from the screen shot EUI provided to us. So, I'm satisfied EUI ensured Ms P ought to have been aware that with this motor policy, she was also entering into an agreement with EUI as the policy administrator.

So, as Ms P chose to insure her car with the underwriter, that meant she also chose to be bound by the agreement with EUI, as the policy administrator. Under that agreement EUI is entitled to charge this cancellation fee of £55. As the policy administrator, EUI is also entitled

to collect the 'time on risk' cost on behalf of the underwriter. And given Ms P had paid one premium instalment then the amount of £44.54 that EUI told Ms P she had to pay is correct and remains payable by Ms P. Should she continue not to pay this, EUI is entitled to continue to demand it from her also.

Insurers are also under a duty to have credit agencies record when its policyholders don't pay their premium or cancellation charges as the non-payment of such things are clearly a debt owed by the policyholder.

Conclusion

Therefore on this basis I consider that EUI hasn't done anything wrong in asking Ms P to pay this cancellation charge or indeed notifying the credit agencies when she failed to do so.

My final decision

So for these reasons, it's my final decision that I don't uphold this complaint.

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

Rona Doyle
Ombudsman