

The complaint

Mr J and Mrs W are unhappy with the refund they received when they cancelled their home insurance policy. Their broker, Nova Insurance Limited (“Nova”) retained a commission clawback, before providing Mr J and Mrs W with their refund.

What happened

After buying a home insurance policy via their broker, Nova, Mr J and Mrs W decided to cancel the policy as they found another policy which they felt met their needs better and was a lower cost.

As the cancellation was outside of the 14-day cooling off period, Mr J and Mrs W expected to incur some costs related to the cancellation. However, they were unhappy that Nova retained £994 for “commission clawback”, when they already had to pay their broker and insurer around £100 in total for cancellation fees.

Nova said it was allowed to charge for “commission clawback” and said this was set out in its terms and conditions.

Mr J and Mrs W want the commission clawback refunded and want to be compensated for their inconvenience.

Our investigator decided to uphold the complaint. She thought as the commission clawback was significant, Nova should’ve made it clearer to Mr J and Mrs W when they purchased the policy. She didn’t think it was fair Nova withheld this money when the premiums were refunded. Nova was asked to reimburse this, plus interest, and it was also asked to pay £100 in compensation for the inconvenience caused. Nova 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.

Having done so, I uphold this complaint. I appreciate Nova will be disappointed by this decision, so I’ll briefly outline my reasoning for coming to this decision.

Mr J and Mrs W paid premiums of £4,273 when the policy was incepted. On cancellation, their insurer retained £210 for “time on cover charge” and £20 in total for set-up and cancellation charges. Nova retained £70 for a cancellation charge and £994 for “commission clawback”. So, for just 20 days of cover, Mr J and Mrs W had to pay £1,294 which equates to 30% of their full year premium. I don’t think this is fair or proportionate to the benefit received from the time on cover.

Mr J and Mrs W accept they needed to pay set-up and cancellation charges, however, they think the “commission clawback” is unfair. I agree.

Nova has spent some time explaining the terms and conditions of the insurance policy and its own terms and conditions related to selling and administering the policy (i.e. the broker's terms and conditions). I can see Nova's terms do explain they will deduct any "service charges" on cancellation.

However, for such a significant charge Nova has applied, I'd expect Nova to highlight the exact amount when the policy was sold. I haven't seen any evidence that it has. Nova has said it doesn't need to under the FCA rules. However, our service thinks it's reasonable to set out major terms when the policy is sold, especially when these terms are important to the policyholder.

Whilst I appreciate the policy document is a static document and maybe uploaded online, making it difficult to state specific percentages or amounts, I think Nova could've displayed the detailed charges easily within the welcome letter and the schedule. It could've verbally highlighted it on any sales call. This wasn't done, there is no evidence of this, and Nova have confirmed this information wasn't shared. I don't think it's reasonable to ask and expect the policyholder to contact the broker to seek this information out.

Nova has relied on its terms and conditions which define service charges as:

"When we sell you a policy the insurer will usually pay us a commission from the Premium you pay. We may also charge you a fee. Where we receive no commission from the insurer, we will apply a fee in lieu of commission which will be included in the total quote before you agree to buy. We may receive other income based on the profitability or volume of our accounts from an insurer, or commission for arranging instalments from a premium finance provider. We may earn income from claims management companies. You have the right to ask us about our earnings at any time. Because the commission rates paid by insurers are variable and do not always reflect the level of work carried out by us, we also make individual service charges over and above the charges made by your insurers to cover the administration of your insurance policy".

These terms don't provide any indication that the commission clawback could be so high. I think if Mr J and Mrs W were aware of the high costs of cancelling, they would possibly have chosen not to enter the policy at all. After all, they continued scouring the marketplace after incepting the policy, to try and find a more suitable deal, so I think it's reasonable to conclude they were thinking of cancelling the policy to move elsewhere.

Therefore, I require Nova to reimburse the "commission clawback", plus 8% simple interest per annum for the time they have been without this money (from the date the policy was cancelled to the date the money is reimbursed). As this has caused Mr J and Mrs W some distress and inconvenience, I award £100 compensation.

My final decision

My final decision is that I uphold this complaint. I require don't require Nova Insurance Limited to:

- Reimburse Mr J and Mrs W the "commission clawback", plus 8% simple interest per annum
- Pay £100 compensation – for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J and Mrs W to accept or reject my decision before 17 March 2026.

Pete Averill
Ombudsman