

The complaint

Mr I has complained Liverpool Victoria Insurance Company Limited trading as Allianz (LV) charged a cancellation fee.

What happened

Mr I sold his car so cancelled his insurance policy with LV. LV charged Mr I a £40 cancellation fee. Mr I didn't think the charge was fair and complained to LV. LV responded saying Mr I agreed to the terms and conditions when taking out the policy and this set out that there was a cancellation fee if he ended the cover early.

Mr I referred his complaint to this Service. He said he felt the cancellation wasn't voluntary, but a legal necessity after he sold his car. He said he didn't transfer his new car because LV's new quote exceeded £700 per year while comparable cover elsewhere was just over £400.

An Investigator looked into Mr I's complaint but didn't uphold it as she didn't think it was unfair for LV to charge the cancellation fee. Mr I disagreed saying his complaint isn't about whether the terms and conditions mention a fee, but whether applying that fee in a non-voluntary, legally-mandated cancellation is fair, lawful or compliant with relevant rules and regulations. The complaint couldn't be resolved, so it has come 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 for roughly the same reasons as the Investigator.

As ours is an informal service, I'm not going to comment on every point or piece of evidence Mr I and LV sent us. Instead, I've focused on what I consider to be key or central to the complaint. But I'd like to reassure both that I have considered everything submitted.

I think both parties accept LV's policy documents say that a £40 cancellation fee would be charged if the policy was cancelled within the policy term. But Mr I's complaint is that this cancellation fee, whether in the terms or not, isn't fair.

I can appreciate why Mr I feels the charge isn't fair – when he sold his vehicle and replaced it, LV were going to charge a higher premium for his new car, and he found other insurers were quoting less for the same car in what he says are the same circumstances. I haven't seen these other quotes, but it is his choice to accept a mid-term adjustment or cancel his policy if he wants to go elsewhere.

It's common for there to be a fee if a policy is cancelled before the end of a policy term. This is to cover the administrative costs incurred as a result of cancelling a policy. I wouldn't find a cancellation charge to be inherently unfair as long as an insurer made the fee clear, which

I think LV have in the insurance contract Mr I agreed to.

Mr I could have decided not to take the policy out if he didn't agree to a fee being charged if the policy was cancelled. But, based on the other motor policies I've seen, I also don't think it's likely he would have found another policy that didn't apply a fee for a mid-term cancellation.

Mr I believes LV haven't adhered to the Consumer Duty – he's referred to the section of the Duty about whether a product or service provides fair value. I haven't looked into the price of Mr I's policy as he didn't complain about this to LV, but I appreciate Mr I believes LV haven't demonstrated their fee is proportionate. I don't think it's necessary to see a breakdown of LV's costs to be able to say that this amount doesn't seem unreasonable. The £40 cancellation charge is in line with what I'd expect to see throughout the industry, and it is a set fee which was clearly set out when Mr I entered into his agreement with LV. I don't think the fee would've stopped Mr I from cancelling his policy, and I don't think it was disproportionate in relation to the administrative tasks required.

My final decision

For the reasons above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 10 April 2026.

Andrew Wakatsuki-Robinson
Ombudsman