

The complaint

Mrs A has complained that British Gas Insurance Limited ('British Gas') charged an excessive cancellation fee under her home care policy. For the avoidance of doubt, the term 'British Gas' includes reference to its agents and representatives for the purposes of this decision.

What happened

Mrs A purchased home care policies with British Gas over several years. Mrs A moved house during the 2024/2025 policy term and cancelled her insurance cover in early 2025 as she was unable to transfer the policy to her new address. British Gas informed Mrs A that she would need to pay the remainder of the premiums for the policy year, and it said that the total amount owing was £791.49. Mrs A wasn't happy that she was being required to pay this fee which she considered excessive.

British Gas said that if a claim was made on a policy which was later cancelled in the same policy year, the customer would be required to pay for the whole year, as the customer had already benefited from cover. British Gas maintained its stance following Mrs A's complaint. She then referred her complaint to this service. The relevant investigator didn't uphold Mrs A's complaint. It was his view that the policy documents set out what would happen in the event of cancellation of a policy in sufficiently clear terms. He also considered that British Gas had fairly applied those terms. He added that British Gas had provided data to show that Mrs A logged into online details and reviewed the policy on 13 September 2024.

Mrs A was unhappy about the outcome of her complaint, and the matter was therefore referred to me to make a final decision in my role as Ombudsman. I issued the following provisional decision in October 2025:-

'The key issue for me to determine is whether British Gas applied the relevant policy in a fair and reasonable manner in charging Mrs A £791.49 following her cancellation of the policy. I don't consider that British Gas acted in a fair and reasonable manner in all respects and, on a provisional basis, I partly uphold Mrs A's complaint. In determining this matter, I've also considered the submissions of the parties as summarised below.

I turn firstly to Mrs A's submissions. She said that she'd been a loyal customer of British Gas for many years and said that it wasn't made clear at the time of renewal that if she cancelled her policy 'particularly in the case of moving home', that she would be liable to pay for the full year. She cancelled the policy at the end of January 2025 due to her move into rental property, and she couldn't transfer the policy to her new home.

Mrs A said that the amount demanded by British Gas had included reference to gas fire servicing, however she'd paid £209 for this separately in October 2024 as it wasn't part of the policy. She said that the final price of £791.49 that British Gas was trying to charge her was therefore unfair. She said that this policy should have been in line with other insurance policies, such as motor or home insurance policies where the customer paid for the period of use only. Mrs A appreciated that it was her responsibility to read the full terms and conditions, however she felt that the important clauses weren't made clear at the point of

sale or on her telephone call with British Gas regarding renewal, nor via its confirmation email. She felt that the cancellation terms were unfair, not explicitly clear, and extremely difficult to locate and view. She felt that 'the specific clauses are tucked away on the last page of a 35-page document.'

In response to the investigator's view, Mrs A referred to duties of fairness and transparency under the Consumer Rights Act 2015 and the Consumer Protection from Unfair Trading Regulations 2008. She considered that invoking the cancellation clause after a single claim, was disproportionate and unfair, and operated more like a penalty than a reasonable charge. She said that it created 'a significant imbalance between the parties' to her detriment, and having access to documents on an online portal wasn't the same as ensuring that key terms were fairly and prominently brought to the customer's attention. Finally, Mrs A considered that the contract had been 'frustrated' due to her move, as it had no longer been possible to continue the policy or to transfer the service in the intended manner.

In summary, Mrs A said that she felt hugely let down and misled by a company to whom she'd been loyal for many years, and she'd been left in a difficult financial position in facing a liability of nearly £800, with no spare funds to pay for a service to which she no longer had access. While Mrs A accepted that she'd received some benefit under the policy prior to moving, a fairer resolution would have been to charge for the work actually provided rather than demanding the full remaining annual premium.

I now turn to the British Gas response to Mrs A's complaint. In its final response letter, it explained that the relevant policy ran from mid-September 2024 to mid-September 2025 and that during the policy year, it had carried out multiple repairs, some of which took a long time. It then listed the work it had carried out. It also referred to services on the boiler and gas fires and to a repair to a flue seal carried out at the same time. It considered that as the policy had been cancelled part way through the policy year and, because repairs had already been carried out, the £791.49 cancellation fee was appropriate. In the letter, British Gas referred to Mrs A's call to cancel the policy on 31 January 2025, but the sentence in its letter is unfortunately incomplete.

British Gas stated that it was the customer's responsibility to read the terms and conditions of the policy and that these couldn't all be relayed over the phone. In any event, it said that they were sent to Mrs A by e-mail on 13 September 2024, and that the cancellation charges were set out clearly in the policy. British Gas explained that the home care policy was a 'regulated product' but that Mrs A also had a gas appliance check agreement which wasn't regulated and therefore fell outside the remit of this service. It sent details of both cancellation charges, the former being in the sum of £581.52, the latter being in the sum of £209.97, making a total of £791.49. It said that the fees represented the work it had completed. Its notes stated that a representative considered that 'the invoices sent out are for work carried out and don't seem to be for the remainder of the policy'.

I now turn to my reasons for partly upholding Mrs A's complaint in this case. The starting point for such matters is the wording of the terms and conditions of the relevant policy which form the basis of the insurance contract between the insurer and its customer. Whilst policy documents are long and laborious to read, it's important for customers to familiarise themselves with the key aspects of the policy, to include issues around cancellation. Where doubt remains, the customer is expected to raise such issues with the insurer.

In this case, the relevant policy states the following in relation to cancellation charges; 'If you or we cancel your agreement or any products and we've already completed work for you since you bought or renewed them, you will have to pay cancellation charges'. In a case where claims have already been made, the wording states that; 'You'll not be due a refund and will pay the remainder of the policy premium'. It does also make it clear that; 'you will

never pay more than the total annual cost of the cancelled product(s)'. It then reiterates that 'If we've completed a repair, replacement or an annual service since you bought or renewed your agreement or product, you may have to pay cancellation charges or the balance for the remaining term'. I'm satisfied that British Gas did send to Mrs A 'confirmation of cover' in September 2024, and this states at the bottom of the first page: '**Cancellation charges may apply if we have carried out work. See terms and conditions for full details'.

Mrs A hadn't realised that she would face a charge of nearly £800 on cancellation of her home care policy. As to the question of transparency however, the wording of the cancellation provisions within the policy is relatively clear that British Gas has a discretion to charge for the whole policy year if any work has been carried out. As a long-term customer, it's to be expected that Mrs A would be familiar with the policy terms. It's unfortunate however that these appear at the end of the lengthy policy document. Again, whilst the confirmation of cover letter does bear a warning that cancellation charges may apply, this appears in smaller writing than details of 'your cover at a glance'.

This is a finely balanced issue; however, I provisionally conclude that the cancellation provisions were sufficiently clear, and that British Gas had just about done enough to highlight the impact of this provision, and so I don't uphold the complaint in this respect. However, British Gas could have done more to highlight such a significant part of its insurance policy, such as including the warning as to cancellation charges in bold lettering in its correspondence. Whilst I appreciate that the relevant call-handler did raise the issue of cancellation charges in a sympathetic manner during the cancellation call, I trust that British Gas will take this on board in relation to its future practice.

Having provisionally determined that the provisions were sufficiently transparent, and that British Gas was entitled, in principle, to raise a cancellation charge, the further issue for determination is whether British Gas applied the cancellation charge provision in a fair and reasonable manner. On a provisional basis, I don't consider that it did so. Unfortunately, British Gas has provided unclear and confused information in this respect. The confirmation of cover letter received by Mrs A in September 2025 states that 'HomeCare Four' was to cost £562.97. In relation to this product however, British Gas had since sought to charge a cancellation charge of £581.52 rather than £562.97, being the maximum it could charge under the relevant provision.

In addition, the cost of three gas appliance checks was £209.97 in total, and I note that this is the amount which British Gas considers to be subject to a separate agreement, and outside of the service's jurisdiction. However, the letter from the legal representatives of British Gas to Mrs A dated 28 May 2025 refers to the sum of £209.97 in the context of a Homecare 'policy' cancellation charge. In any event, Mrs A states that she paid £209 directly to British Gas on 12 October 2024. British Gas needs to be crystal clear and to resolve all of these points if it wishes to maintain its position that this specific sum remains owing.

There also appears to be confusion on the part of British Gas as to whether it intended the charges it levied to represent work which it actually provided. Notwithstanding the maximum amount it could have charged as above, British Gas hasn't been able to provide a detailed breakdown in relation to the sum of £581.52. Finally, British Gas doesn't appear to have considered any direct debit payments made by Mrs A towards the annual cost of the policy. On a provisional basis therefore, I'm not satisfied that British Gas applied the terms and conditions of the policy in a fair and reasonable manner. I'm minded to require British Gas to cancel the charges it has raised. If it uses its discretion to then re-issue a charge in relation to the maximum charge of £562.97, then it must first deduct from this sum any direct debit payments already made by Mrs A in relation to the relevant product. I'm also minded to require British Gas to pay Mrs A £150 in compensation for the distress and inconvenience caused to Mrs A by its misapplication of the policy terms and conditions.'

I then provided an opportunity for both British Gas and Mrs A to provide further submissions or evidence in response to the provisional 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.

Mrs A accepted the outcome contained in the provisional decision, whilst British Gas provided the submissions as summarised below.

British Gas explained that Mrs A's policy included '*HomeCare Four*' which covered her boiler, plumbing, drains, and wiring. It explained that there was a second boiler at the property under a '*HomeCare One*' element of the policy. It also stated that the policy included kitchen appliance cover for three appliances, being a washing machine, electric oven, and dishwasher. Finally, it said that appliance checks for three fires was also included which, it reiterated, weren't within the service's jurisdiction. It then provided an extract from correspondence which detailed these charges.

British Gas further explained that the payments it had received to date totalled £640.03 and it provided a breakdown of these payments. It clarified that the total yearly price for all elements was £1431.52 and having deducted £640.03, the outstanding balance was £791.49, and it said that this explained how the cancellation fee was calculated. British Gas attached a visit report which it said showed that Mrs A had claimed on all elements of the policy. British Gas concluded that the provisional decision had been based on partial figures as the second boiler and kitchen appliance cover hadn't been considered.

I note that British Gas's further submissions and evidence provide the clarity which was previously absent in its correspondence to Mrs A and British Gas will now need to discuss this detail with Mrs A to ensure that she's provided with the full picture. I don't consider that the visit report is sufficiently clear in confirming that Mrs A had claimed on all elements of the policy during the policy year from the date of renewal of 15 September 2024, and this will need to form part of the discussions.

In the circumstances, I'm satisfied that the provisional decision provides a fair and reasonable outcome to Mrs A's complaint. I don't consider that British Gas had provided sufficient explanations and calculations to Mrs A in relation to the cancellation charge. Whilst British Gas now has the opportunity to show that it hadn't misapplied the terms and conditions of the policy, I remain of the view that British Gas unfortunately provided unclear and confused information to Mrs A in relation to the cancellation charges. This in itself will have caused Mrs A distress and inconvenience. I'm satisfied that British Gas must pay Mrs A £150 in compensation in this respect.

My final decision

For the reasons given above, I partly uphold Mrs A's complaint and require British Gas Insurance Limited to do the following in response to her complaint.

- To cancel the charges which it's raised pending further discussion with Mrs A, and if it decides to re-issue a cancellation charge in relation to the maximum amounts, then it must again deduct from this sum the direct debit payments already made by Mrs A.
- Pay Mrs A £150 for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 1 January 2026.

Claire Jones
Ombudsman