

The complaint

Miss M complains that Collingwood Insurance Company Ltd (“CICL”) mishandled her motor insurance policy.

What happened

Miss M was a learner driver. She used an insurance intermediary or broker associated with CICL to buy a learner driver policy for the year from 20 January 2024.

The cost for the year was going to be as follows:

insurance including tax	£1,603.00
intermediary’s arrangement fee	£ 75.00
total	£1,678.00

Miss M paid £216.16. She agreed to pay eight monthly instalments of about £187.00.

By about mid-May 2024, Miss M had paid about £780.00.

In mid-May 2024, she passed a (practical) driving test and got a full driving licence. Miss M asked to cancel the policy.

CICL cancelled it with effect from 13 May 2024. That was in the fourth month of the policy year. The intermediary said that there was a balance due from Miss M of over £300.00.

Miss M made a couple of payments totalling about £50.00.

By about 5 November 2025, Miss M complained to the intermediary that it and CICL had over-charged her.

By a final response dated 21 November 2025, CICL turned down the complaint. It said that the balance outstanding was £260.37 including intermediary’s fees.

By a final response also dated 21 November 2025, the intermediary turned down the complaint. It said that Miss M had to pay a balance as follows:

intermediary’s arrangement fee	£ 75.00
intermediary’s card admin fees	£ 13.50
intermediary’s cancellation fee	£ 40.00
CICL charge of 60% of £1,603.00	£ 961.80
total	£1,090.30

less paid by Miss M	£ 777.85
sub total	£ 312.45
less paid by Miss M	£ 52.08
balance due by Miss M	£ 260.37

Miss M brought the complaint to us.

our investigator's opinion

Our investigator dealt with the complaint against CICL ("this complaint").

Our investigator didn't recommend that this complaint should be upheld. He thought that CICL had fairly taken action available to them under the policy cancellation terms. He thought that CICL had offered Miss M a repayment plan.

Miss M disagreed with the investigator's opinion. She asked for an ombudsman to review the complaint.

my provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Miss M and to CICL on 18 February 2026. I summarise my findings:

Whilst CICL hadn't yet provided enough evidence in Miss M's case, I was ready to be persuaded by an explanation of why, in the context of a learner driver policy, the risk of claims is higher in earlier periods of cover compared to later periods of cover.

I wasn't minded that the short-period rate was highlighted to Miss M at the point of sale.

I found it likely that CICL's short- period rate had caused extra money worries at an already difficult time for her.

Subject to any further information either from Miss M or from CICL, my provisional decision was to uphold this complaint in part. I intended to direct Collingwood Insurance Company Ltd to:

1. not charge Miss M more for her time on cover than a charge that is pro-rata to the premium that was agreed for the policy year; and
2. insofar as that results in a balance due to Miss M:
 - 2.1 refund such balance to Miss M; and
 - 2.2 pay simple interest on such balance at a yearly rate of 8% from 13 May 2024 to the date of the refund. If CICL considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Miss M how much it's taken off. It should also give her a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate; and
3. pay Miss M £300.00 for distress and inconvenience.

Miss M accepted the provisional decision.

CICL disagreed with the provisional decision (see [“Response to the provisional decision”](#) below).

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.

For motor insurance policies, we expect that any cancellation after the cooling-off period will lead to a charge for time on cover pro-rata to the policy year. So cancellation at four months would lead to a charge for four months (or a refund of eight months) out of the twelve months.

Some insurance policies contain terms that apply short-period rates that, compared to a pro-rata charge, are higher. We regard such terms as significant and unusual. So we look to see whether they have been highlighted to the consumer at the point of sale.

In addition, we expect the insurer to explain why risk is not evenly spread over the policy year.

Miss M bought the policy online from the intermediary. I’m satisfied that, in order to do so, she must’ve agreed to the intermediary’s terms of business and to CICL’s policy terms.

I don’t find it fair and reasonable to hold CICL responsible for the intermediary’s charges for arrangement, card admin or cancellation.

I’m satisfied that, at the point of sale, the Insurance Product Information Document (“IPID”) summarised the policy terms. The IPID included the following:

“Driving is limited to you or a named driver and only is effective for as long as you hold a provisional driving licence and are a learner driver, so cover will cease when you pass your driving test”

So I don’t consider that it was reasonable for Miss M to expect to be able to continue the policy after she got her full licence.

The IPID also included the following:

“Cancellation by you after the cooling off period –

Beyond the above 14 days period, where cancellation is effected by you, we will allow a refund of premium which will be calculated using the scale at the end of the Cancellation section of the Policy Booklet under General Condition 4 (providing there have been no claims or incidents likely to give rise to a claim in the Period of insurance)”

The policy terms included the following:

“4. Cancellation

...

Cancellation by you after the cooling-off period

Beyond the above 14 days period, where cancellation is effected by you, we will allow a refund of premium which will be calculated using the scale at the end of this section (providing there have been no claims or incidents likely to give rise to a claim

in the Period of Insurance. If a claim, or an incident likely to give rise to a claim has arisen, no refund will be due).”

The scale at the end of that section included the following:

“Cancellation Scale

<i>Month</i>	<i>Premium Percentage Charged</i>
<i>...</i>	
<i>4</i>	<i>60%”</i>

At the point of sale, Miss M would’ve had to:

- read the IPID; and
- read to the end of Section 4 of the policy terms; and
- understand the change in wording from “refund of premium” to “Premium Percentage Charged”; and
- do some arithmetic.

Only then could she have seen that cancellation after the cooling-off period would cost her more than a pro-rata charge for time on cover.

Response to the provisional decision

CICL has now sent us a document that provides further detail on the uneven spread or front-loading of risk for its annual learner policies. I consider that we should treat that document as commercially confidential.

The document is enough to persuade me that, in the context of a learner driver policy, the risk of claims is higher in earlier periods of cover compared to later periods of cover.

CICL has said that the associated intermediary was responsible for the customer journey. However, I consider that CICL was responsible for clarity in the policy terms.

CICL has referred to some previous complaints about it (or the intermediary) which we did not uphold. However, each of them was an investigator’s opinion rather than an ombudsman’s decision.

Moreover, the previous complaints also show that, compared to the IPID in Miss M’s case (“LDAIPID1023” which I take to date from October 2023), CICL revised its IPID to “0624” which I take to be June 2024 and IPID “0325” which I take to be March 2025. Unlike the IPID in Miss M’s case, the later IPIDs have added wording as follows:

“Please note that the amount of returned premium you will receive will depend on how long you have held the policy for. The premium charged ranges from 25% in month 1, increasing each month to 100% from month 9 onwards.”

That’s quite a lot clearer than what Miss M received.

The provisional decision set out the steps (which I have repeated above) that Miss M would’ve had to take before she could’ve seen at the point of sale that cancellation after the cooling-off period would cost her more than a pro-rata charge for time on cover.

CICL has not taken the opportunity to respond to the provisional decision by providing persuasive evidence of how the short-period rate was highlighted to Miss M at the point of sale.

So I'm still not satisfied that the short-period rate was highlighted to her at the point of sale. Therefore I consider that CICL didn't treat Miss M fairly by charging her 60% of the premium for less than four months or a third (33.33%) of the policy year.

Putting things right

So I find it fair and reasonable to direct CICL not to charge Miss M more for her time on cover than a charge that is pro-rata to the premium that was agreed for the policy year.

I expect that this will result in a reduction from £961.80 to about £500.00. The difference will be enough to mean that, rather than a balance due from Miss M, there will be a balance due to Miss M. So I find it fair and reasonable to direct CICL to refund Miss M and to pay interest at our usual rate.

As I expect that there will be a balance due to Miss M, rather than a balance due from her, I hold CICL responsible for unfairly maintaining its claim since May 2024.

Miss M has told us that she was a single parent living in temporary accommodation. I accept that she could ill afford the payments of about £50.00. And I find it likely that CICL's short-period rate has caused extra money worries at an already difficult time for her.

I keep in mind the nature and the duration of that impact on Miss M. So I find it fair and reasonable and in line with our published guidelines to direct CICL to pay Miss M £300.00 for distress and inconvenience.

My final decision

For the reasons I've explained, my final decision is that I uphold this complaint in part. I direct Collingwood Insurance Company Ltd to:

1. not charge Miss M more for her time on cover than a charge that is pro-rata to the premium that was agreed for the policy year; and
2. insofar as that results in a balance due to Miss M:
 - 2.1 refund such balance to Miss M; and
 - 2.2 pay simple interest on such balance at a yearly rate of 8% from 13 May 2024 to the date of the refund. If CICL considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Miss M how much it's taken off. It should also give her a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate; and
3. pay Miss M £300.00 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 25 March 2026.

Christopher Gilbert
Ombudsman