

complaint

Mr N complains Be Wiser Insurance Services Ltd treated him unfairly when it cancelled his motor insurance policy.

background

In August 2016 Mr N took out a motor insurance policy through Be Wiser. Around 20 days later he cancelled the cover and bought a new policy through Be Wiser for a different car.

In September 2016 Mr N called Be Wiser and asked it to cancel his policy, but he couldn't afford to pay the outstanding balance Be Wiser said he owed at the time. So he then asked for the cover to continue.

Mr N says he noticed the premiums weren't being taken from his account around three months later and found out Be Wiser cancelled his policy, which he thinks is unfair. Be Wiser also told him he owed more money for the cancellation, which he disputes.

Be Wiser says it cancelled Mr N's policy during the call in September and reinstated it when he changed his mind. But it couldn't reinstate the monthly payment plan because Mr N's card was declined. This meant the October payment wasn't collected. It says it warned Mr N it would cancel the policy unless he paid the missing premium and he still didn't pay. So, it cancelled the policy due to non-payment of the premiums.

Be Wiser charged Mr N £560.88 for the time he had the first policy and £1,278.07 for the time he had the second policy. It told Mr N he owed a further £676.10 to settle the outstanding balance for the policies.

In response to Mr N's complaint, Be Wiser reviewed and reduced the charges for both policies and offered Mr N a refund of £111.01, which it said was the difference between what he'd paid to date and the total cost of the policies. But Mr N was still unhappy.

Our investigator upheld the complaint in part. She thought the cancellation in October was fair and that Be Wiser gave correct notice. But she also thought the charges for the policies seemed disproportionate to the time he had the cover. Be Wiser didn't think it should lower the charges any further. So, the case was referred to me for a decision.

Be Wiser provided a breakdown of the original and reduced cancellation charges, following its review. This showed it reduced the charges for the first policy from £560.88 to £277.28 – and the charges for the second policy from £1,278.07 to £498.11. It also realised it missed a payment in its earlier calculations, so it said Mr N was due a higher refund of £236.65.

After reviewing the available information, I contacted Be Wiser to explain my initial thoughts, which I've set out below.

the cancellation

I agreed that Be Wiser gave Mr N correct notice of the cancellation in October. However, I also thought Mr N would've gone ahead with his cancellation request in September, if the outstanding balance Be Wiser asked him to pay at that time hadn't been so high.

Mr N called to cancel the second policy in September because he'd found cheaper insurance elsewhere, as shown by Be Wiser's call note. And, from what Mr N said, the only reason he didn't go ahead with the cancellation was because he couldn't pay the outstanding balance of £570. Be Wiser's call note also supports this order of events.

I didn't think the amount Be Wiser asked him to pay at that point was reasonable, especially considering the reductions it made afterward meant Mr N was fairly due a refund, rather than owing anything further. And I was persuaded this stopped Mr N from cancelling the policy when he otherwise would have. So I thought Be Wiser should ask the insurer to amend the cancellation record to show the second policy was cancelled at Mr N's request, rather than a cancellation due to non-payment, and provide Mr N a letter explaining what happened.

Be Wiser disagreed. It said Mr N could've gone ahead with the cancellation in September if he'd wanted to, as he wasn't expected to pay the outstanding balance in full that day.

the cancellation charges

I asked Be Wiser to justify why it was still charging Mr N administration costs of £168.01 and £200.04, so I could determine whether these revised amounts were proportionate to the costs it incurred when setting up and cancelling each policy.

Be Wiser originally charged Mr N £330 for the first policy and £200 for the second as non-refundable fees for setting up the policies. It said if Mr N had questioned these fees at the outset, it could've reduced the charges to its minimum set up fee of £45 per policy. As part of its review, it reduced these fees on a pro-rata basis and asked Mr N to pay £93.01 for the first policy and £125.04 for the second policy – on top of a £75 cancellation fee per policy.

Be Wiser said it costs money when quoting policies, administering policies, issuing documentation, telephoning customers, sending texts, etc. Additionally, it said it is out of pocket when a consumer defaults on a payment; subsequent letters, processes, telephone calls, reports and texts also accumulate costs.

However, it still didn't provide any evidence to demonstrate that these amounts were proportionate to the reasonable costs it incurred for these tasks, despite our requests. I therefore proposed Be Wiser should reduce the cancellation costs so that, for each policy, Mr N only pays for the days he had the insurance cover, a £75 cancellation fee and the minimum set up fee of £45.

Mr N was happy with this. But Be Wiser still disagreed. So, I've proceeded to issue my final decision.

my findings

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 see no reason to depart from my initial thoughts on this case.

From the breakdowns Be Wiser provided, I don't think the amounts it originally asked Mr N to pay for the cancelled insurance policies were fair. And I'm satisfied this stopped Mr N cancelling the policy in September when he otherwise would have. Be Wiser says he could've cancelled the cover without paying the outstanding amount that day. But, on balance, I don't think this was made clear at the time. So, I still think Be Wiser should ask the insurer to amend the cancellation record on any internal and external databases. And provide him with a letter to explain the cancellation, in case Mr N needs it.

In considering the amounts Be Wiser has charged Mr N for both policies, I've taken into account the relevant regulations, good industry practice and the overarching principle of treating customers fairly. Having done so, I think it's reasonable to expect Mr N to pay for the time he had the insurance cover, and I think it's fair for Be Wiser to charge a reasonable amount to cover the costs it incurred when setting up and cancelling each policy. But I still don't know what those costs are.

Be Wiser says the non-refundable administration fees of £200 and £330 were clearly outlined in its terms of business, which it offers to read out to consumers over the phone during its sales process. It feels reducing these amounts on a pro-rata basis is sufficient and reflective of the costs incurred when administering, quoting, printing and selling the policy.

I appreciate Be Wiser listed some of the general administration tasks it undertakes, but it hasn't provided any evidence or otherwise quantified the costs involved. So, Be Wiser hasn't demonstrated the charges of £168.01 and £200.04 are proportionate to the costs it actually incurred. And, overall, this means I don't think these charges are reasonable.

Most importantly, Be Wiser said it could've charged a minimum administration fee of £45 for placing each policy. And this suggests the set up fees it is looking to charge Mr N over and above this amount, and on top of the £75 cancellation fees, are disproportionate to the administration costs involved. So I don't think Mr N should have to pay any more than the £45 set up fee it could've charged for each policy.

Overall, this means I still think Mr N should only have to pay for the insurer's time on cover (£109.27 for the first policy and £298.07 for the second policy), and £120 in administration costs for each policy. This brings the total charges to £229.27 for the first policy and £418.07 for the second policy (a total of £647.34 for both policies).

From the information Be Wiser has provided, Mr N has already paid £1,013.04 for these policies. So I think Be Wiser should refund £365.70 to Mr N, as the difference between these two amounts, plus 8% simple interest to compensate him for loss of use of those funds.

my final decision

For the reasons explained above, I uphold Mr N's complaint in part and require Be Wiser Insurance Services Ltd to do the following:

- pay Mr N £365.70, plus simple interest at a rate of 8% simple per annum from the date he last paid that amount to Be Wiser to the date it makes payment¹;
- ask Mr N's insurer to change the cancellation record on any internal and external databases to show the second policy was cancelled at Mr N's request – and not because of non-payment; and
- provide a letter to Mr N to explain this policy should've been cancelled at Mr N's request on 30 September 2016 but that cover ran to 28 October 2016.

Be Wiser should do this within 28 days of us telling it Mr N has accepted my decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 25 August 2017.

Joanna Brown
ombudsman

¹ If Be Wiser considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr N how much it's taken off. It should also give Mr N a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.