

complaint

Mr D complains that Be Wiser Insurance Services Ltd should withdraw its claim that he owes money following the cancellation of a car insurance policy.

background

Be Wiser arranged a policy between Mr D and an insurer. The annual premium was to be nearly £2,000. He paid a deposit of £297. The balance was to be funded by a credit agreement between a finance company and Mr D. He cancelled the policy after about a month. He complained when Be Wiser said he owed it about £650.

The adjudicator recommended that the complaint should be upheld in part. He concluded that Be Wiser was entitled to charge the following:

time on cover:	£182.16
pro-rata commission:	£18.22
arrangement fee:	<u>£35.00</u>
sub-total:	£235.38
20% charge:	<u>£12.32</u>
Total:	£247.70

He recommended that Be Wiser should pay Mr D:

1. a refund £49.30;
2. simple interest (less tax if properly deductible) at 8% on that sum from the date of cancellation to the date of payment and
3. £50 for distress and inconvenience.

Be Wiser agrees with the adjudicator's opinion in part. It disagrees with the calculation of the 20% charge. It says that it is entitled to 20% of the net sum of about £1,600 returned by the insurer.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Where the evidence is incomplete, inconclusive or contradictory (as some of it is here), I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

charge for time on cover

I accept that the charge of £182.16 for the period of about a month on cover is a fair and reasonable proportion of the annual premium.

commission retained

I do not consider that it was fair and reasonable for Be Wiser to retain £89.87. I note that it accepts the adjudicator's suggested 10% rate of commission. I consider that, as the policy

was cancelled, commission should be reduced in line with the time on cover. I calculate that a fair and reasonable amount is £18.22.

arrangement fee

I see that the arrangement fee of £35 was set out in the key facts document. Therefore, I do not find it unreasonable.

20% charge

I consider that the key facts document was unclear on the subject of cancellation charges. It said:

“Any return premium to you will be the net return given by your insurers less our charge of 20%.”

I do not consider that Be Wiser gave Mr D fair warning that – after the 20% charge - the return premium could be negative, leaving him in debt.

I find it likely that there has been no return premium to Mr D, bearing in mind that he paid only £297. I also bear in mind the other charges which sub-total £235.38. Therefore, I consider that the difference of £61.62 is the only “net return” to which the 20% charge can apply. I calculate it as a further charge to Mr D of £12.32.

Refund due to Mr D

The charges which I consider fair and reasonable total £247.70.

Therefore, I conclude that Be Wiser should refund to Mr D the difference of £49.30.

I also consider that Be Wiser should add interest on that amount from the date of cancellation of the policy, 3 November 2011. If it considers it has to deduct tax from the interest element of my award, it shall send Mr D a tax deduction certificate when it pays him. He can then use that certificate to try to reclaim the tax, if he is entitled to do so.

I note that Be Wiser instructed a debt collection agency to chase Mr D to pay about £650 which I have found was not due. I accept that this caused Mr D extra anxiety and trouble at an already difficult time for him. I consider that £50 is fair and reasonable compensation for this.

my final decision

For the reasons I have explained, my final decision is that I uphold this complaint in part. In full and final settlement of it, I order Be Wiser Insurance Services Ltd to pay Mr D:

1. a refund £49.30;
2. simple interest at 8% per annum on the sum of £49.30 from 3 November 2011 to the date of its refund and
3. £50 for distress and inconvenience.
- 4.
- 5.
- 6.
- 7.

Christopher Gilbert
ombudsman