

## complaint

Mr A says Be Wiser Insurance Services Ltd charged too much when he cancelled the motor insurance policy he'd bought through it. Mr A is represented by his father, Mr A2.

## background

In May 2018 Mr A2 spoke to one of Be Wiser's advisors to set up a policy for Mr A. The advisor found a policy for £828.93. Mr A2 said he'd buy it if the price could be reduced. The advisor was able to get the price down to £768.89 – a discount of £60.04 - which Mr A2 accepted. During the call, the advisor said if the policy was cancelled, Be Wiser would charge a cancellation fee of £100 and the insurer would charge for time on cover.

Mr A had a provisional driving licence, so Mr A2 knew the policy may have to be cancelled should Mr A pass his driving test during the policy's term. He told the advisor what the situation was and asked if the free 'add-on' policies would end on cancellation. The advisor said all cover would transfer to the next policy if Mr A bought one through Be Wiser.

Later in the call, the advisor asked Mr A2 if he wanted him to read out Be Wiser's terms of business. Mr A2 said he should just send them through the post. The advisor said it was really important for Mr A2 to read through all the documents. He said he'd send a text to him the next week to check that he'd done so.

Mr A passed his driving test in February 2019. He and Mr A2 weren't happy with the quotes Be Wiser found for a new policy. When he cancelled the original policy, Be Wiser charged for time on cover, plus its £100 cancellation charge. It also said Mr A had to pay a £74.97 non-refundable arrangement fee. It later said it would waive the £60.04 discount it had applied when the policy was set up (normally added on cancellation). So Mr A got a refund of £108.62. He thought it should have been refunded £76.47 more.

One of our investigators reviewed Mr A's complaint. He thought Be Wiser should have told Mr A2 the initial discount of £60.04 would be reversed on cancellation. But he noted that it had waived that charge. He said Be Wiser had brought the £100 cancellation charge to Mr A2's attention. And it had set out the £74.97 non-refundable charge in its terms of business – which the advisor had offered to read out. He thought as Be Wiser had waived the £60.04 charge, there was a shortfall of £14.93 due to Mr A. But he thought that sum would have been incurred elsewhere, so he didn't think Mr A had faced a financial loss.

Mr A2 remained of the view that Mr A was due a further refund from Be Wiser. As there was no agreement, the complaint was passed to me for review. I issued a provisional decision upholding the complaint as follows:

*When Mr A2 calculated the sum he thought should be refunded on cancellation he deducted Be Wiser's £100 cancellation charge first. He then worked out the daily rate charged by the insurer. I don't think that was the right way to do the calculation. Be Wiser has confirmed that of the £768.93 Mr A2 paid, the insurer charged £545.31 for 264 days cover (£2.06 per day) and refunded just over £208. I think that's correct, so the issue is Be Wiser's charges.*

*We think it's fair for brokers and insurers to make reasonable cancellation charges. We normally say a sum up to £75 is acceptable. I think Be Wiser's charge is on the high side, but it made the charge clear to Mr A2 before he bought the policy. He was happy to accept it. I think the other charge Be Wiser made is more problematic.*

*Mr A2 asked Be Wiser's advisor how he'd managed to offer a reduction of £60.04 in the total charge for the policy. The advisor said Be Wiser had taken off the admin charges. He didn't say a non-refundable charge of £74.97 would be payable on cancellation. Nor did he say the £60.04 taken off at the start was a temporary broker discount that would be reversed on cancellation. Had he done so, I don't think Mr A2 would have bought the policy. I think the evidence shows that he was price-conscious. He only agreed to buy the policy after the total price of doing so was reduced.*

*Be Wiser's terms of business document set out the non-refundable charge. Its cancellation section says that any broker discounts will be reversed on cancellation. Mr A2 was urged to read the terms of business after saying he didn't want the advisor to read them out. It seems he may not have done so. But even if he did, he may not have realised that the reference to a 'broker discount' meant the admin charges that he'd been told Be Wiser had absorbed.*

*I think it would have been easy for him to misunderstand what the non-refundable charge was as well. The wording said that of the £768.89 he'd paid, £753.93 was due to the insurer, and left a balance of £74.97. But the balance between those sums is £14.96. I think one of those figures may be slightly out, as the correct sum seems to be £14.93. But regardless of that, I don't think it was clear what Be Wiser meant. I think from the start it intended to add to its charges on cancellation the £60.04 it had originally taken off. That would mean the further sum retained by Be Wiser was £74.97.*

*I think a call recording I've listened to shows that the advisor knew the policy was highly likely to be cancelled. It depended on whether Mr A passed his driving test within the next 12 months. So it was particularly important to be clear about the cancellation charges. Even after Mr A2 said he didn't want Be Wiser's terms and conditions to be read out, the advisor told him about the £100 cancellation charge. As he didn't mention anything else connected to the cancellation, I think it was reasonable for Mr A2 to assume that would be the only broker charge made when the policy was cancelled.*

*As I don't think Be Wiser did enough to bring the non-refundable charge to Mr A2's attention at the point of sale – and even afterwards I don't think it was clear enough – I don't think it should keep any part of the charge. So I think it should refund £14.93 to Mr A2, plus interest.*

I asked the parties to comment on my provisional findings. Mr A accepted them. Be Wiser said it's usual for a broker to charge for arranging a policy. It said it had encouraged Mr A to read the terms of business it sent him. Be Wiser said the advisor wouldn't have known that Mr A2 would need to cancel the policy within a year. It said many learner drivers take longer than that to pass their test. In Be Wiser's view, it had made a reasonable offer to resolve Mr A's complaint by not reversing the discount it applied at inception.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I still think it should be upheld.

In my view, there was a far greater likelihood of Mr A's policy having to be cancelled within a year than an average policy. Many young drivers pass their driving test within that period – just as Mr A did – so cancelling the 'learner' policy was always a strong possibility. Mr A2 had made it clear that he was price-conscious. So I think it was important that *all* the charges

payable on cancellation were made clear to him at the point of sale. I don't think they were – and I don't think Mr A2 would have bought the policy if they had been.

Be Wiser's advisor did offer to read the terms of business to Mr A2. He said it would take about 15 minutes, and Mr A2 declined. He was then urged to read the documents Be Wiser sent to him, and I think he should have done so. But in my opinion, the wording of the terms of business and the figures supplied by Be Wiser in the documents weren't clear enough. And in any event, he would only have seen them *after* he'd bought the policy.

I don't think it was crucial for Mr A2 to know about most of the content of Be Wiser's terms of business at the point of sale. But its charges were significant. The advisor made sure he told Mr A2 about the £100 cancellation charge during the sales call, without Mr A2 having to ask about it. I think that was the right thing to do, but as the non-refundable admin charge was also payable on cancellation, I think it should have been highlighted as well. As it wasn't, Mr A2 was left with the impression that he'd only be charged £100 on cancellation.

I think it's reasonable for brokers to charge admin fees, as Be Wiser has said, but only if the charges are made clear at the point of sale. So in the circumstances here, I don't think it would be fair and reasonable for Be Wiser to retain the £14.93.

### **my final decision**

My final decision is that I uphold this complaint. I require Be Wiser Insurance Services Ltd to refund Mr A £14.93. It should add interest at the simple yearly rate of 8%, from the date of the initial refund to the date of settlement.

If Be Wiser thinks it's required by HM Revenue & Customs to withhold income tax from the interest, it should tell Mr A how much it's taken off. It should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 20 September 2019.

Susan Ewins  
**ombudsman**