

complaint

Mr R complains that Be Wiser Insurance Services Ltd has failed to refund the correct amount of premium to him after he cancelled his motor insurance policy.

background

Mr R initially took out a motor insurance policy through Be Wiser, acting as broker, on 16 February 2013. Soon after taking out the policy, two separate amendments to the policy were required, which Be Wiser dealt with. On 25 February 2013, Mr R phoned Be Wiser and cancelled the policy.

Mr R had paid only part (£573.93) of the policy premium by the time he cancelled the policy. The insurer's charge for time on cover was £199.17. Be Wiser refunded a further £150 to Mr R, but said it would keep the remaining £224.76 in respect of its charges. Mr R objected to this.

Our adjudicator recommended that this complaint should be upheld in part. He considered that Be Wiser was entitled to keep a cancellation fee of £85, but nothing more, and so should return a further £139.76, with interest, to Mr R. Be Wiser did not agree, and asked for this complaint to be reviewed.

my findings

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

If a broker is to be entitled to recover charges from a policy holder, the view of this service is that the amount of these must be clearly and unambiguously disclosed to the policyholder before he takes out the policy. I have therefore considered Be Wiser's Key Facts document to see what charges are mentioned in it.

The Key Facts say that the premium due includes a non-refundable charge by Be Wiser for placing the policy of £35. So I consider Be Wiser is entitled to keep this amount.

The Key Facts also say that Be Wiser will make a charge of "*up to 20% of the premium plus £25 for any additional or return premium*". Mr R made two alterations to his policy, with two additions to his premium. I consider that a charge of "*up to 20%*" is too vague to be fair or enforceable. However, I consider that Be Wiser is entitled to charge the £25 mentioned for each of the alterations, making £50 altogether.

The Key Facts say that the policyholder can cancel the policy within 14 days, as Mr R did. If he does, the insurer will calculate the premium owed on the basis of time on cover. In this case, that was £199.17. They then go on to say that Be Wiser will return the net amount returned by the insurer, "*less our charge of 20%*".

The view of this service is that any cancellation fee charged by a broker should be modest. In addition, where the insurer has charged a cancellation fee, the broker should not charge a further cancellation fee.

In my view, to charge 20% of the returned premium, however large, is unreasonable. Also, Be Wiser has not disputed the adjudicator's view that the insurer had already charged a

cancellation fee. Accordingly, I conclude that Be Wiser was not entitled to charge any fee in respect of the cancellation of this policy.

I conclude that Be Wiser is entitled to retain charges totalling £85, and should now refund a further £139.76 to Mr R, with interest on this amount at the yearly rate of 8% simple from the date the policy was cancelled until settlement.

my final decision

My decision is that I uphold this complaint in part. I order Be Wiser Insurance Services Ltd to pay Mr R a further £139.76, with interest on this amount at the yearly rate of 8% simple from the date the policy was cancelled until settlement.

If Be Wiser considers that it has to deduct tax from the interest element of my award, it should send Mr R a tax deduction certificate when making payment, which he can use to reclaim the tax, if he is entitled to do so.

Lennox Towers
ombudsman