

## **complaint**

Mr W complains that Be Wiser Insurance Services Ltd charged him an unreasonable amount when he cancelled a motor insurance policy shortly after he arranged it through Be Wiser. He is assisted in bringing this complaint by a friend, Mr L.

## **background**

In July 2013, Mr W asked Be Wiser to arrange motor insurance for him. It provided a quote which he accepted. However, some of the information he provided was incorrect, so a further quote with another insurer was provided, and accepted. Within the first month, Mr W instructed Be Wiser to cancel the policy.

Be Wiser wrote to Mr W saying that taking account of what he had already paid, he still owed £1,937.36, made up of premium for the time on cover, commission and charges. After Mr W protested, Be Wiser said that it would reduce the amount payable for cover to £717.56, made up as follows:

- time on risk charge by the insurer - £421.68
- Be Wiser's non-refundable fee for arranging the policy - £50
- Be Wiser's administration fee on cancellation - £245.88

After this service became involved, Be Wiser agreed to reduce its administration fee on cancellation to £45. It had collected £636.73 from Mr W, so it said it would refund him the balance it held - £120.05. Mr W refused to accept this, and brought this complaint.

Our adjudicator recommended that this complaint be upheld in part. He said that he could not comment in this complaint on the amount charged by the insurer. Be Wiser's non-refundable arrangement fee was mentioned as part of the cost of the policy in Be Wiser's Key Facts document, and so it was reasonable that Mr W should pay this. However, in view of the distress Be Wiser had caused Mr W in asking for the original cancellation amount, he considered that it should waive all its cancellation charge.

Neither Be Wiser nor Mr W accepted the adjudicator's recommendation. Be Wiser considered that £45 was a fair cancellation fee. Mr L said that Be Wiser should refund Mr W the whole amount he had paid, including what the insurer had charged.

## **my findings**

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

First of all, it is not appropriate for me to comment in this complaint on the amount charged by the insurer. This was outside the control of Be Wiser, and I understand that it may be the subject of a separate complaint to this service.

The administration fee of £50 was set out clearly in Be Wiser's key facts document as part of the cost of the insurance. So I consider that Be Wiser was entitled to charge this, and retain it when the policy was cancelled.

Where a broker seeks to charge a fee in connection with the cancellation of a policy, the view of this service is that any fee must be made known to the customer before he agrees to enter into the policy. The fee should also be no more than is required to compensate the broker for the work involved in the cancellation.

Be Wiser's key facts document says that on cancellation of a policy, it will deduct a charge of 20% of the amount returned by the insurer. I do not consider that a flat percentage charge of this nature can be fair in all circumstances, whatever the size of the premium refunded, and however little work is involved.

Accordingly I do not consider that this cancellation fee is fair, and Mr W should not be required to pay it. In these circumstances, it is not appropriate for me to substitute what I consider would have been a fair charge.

**my final decision**

My decision is that I uphold this complaint in part. I order Be Wiser Insurance Services Ltd to refund to Mr W £165.05.

Lennox Towers  
**ombudsman**