

complaint

Mrs M's complained about the refund she got when she cancelled her motor insurance policy with Be Wiser Insurance Services Ltd.

background

Mrs M bought a motor policy with a broker, Be Wiser. Be Wiser found Mrs M's claims history was different to what she'd told it, so it asked her to provide verification documents and proof of her No Claims Bonus (NCB). Mrs M apologised for her error. There were some problems in providing all of the documents Be Wiser needed. So Mrs M cancelled her policy.

Mrs M had paid a total yearly premium of £360. Be Wiser refunded £82.03 to Mrs M after it cancelled her policy. Her policy had been in place for less than a month.

Mrs M complained to Be Wiser. It said she'd paid £304.98 and provided a breakdown of what Mrs M had been charged: These were:

£53.19 – insurer's time on cover

£73 – non refundable placement charge

£90.78 cancellation charge

£5.98 – 2% interest charge for payment by credit card.

So it said its refund of £82.03 was correct.

Mrs M remained unhappy, so she brought her complaint to us. The investigator thought Be Wiser hadn't been clear enough about its charges. He recommended it refund a fee it had charged of £15.78 on top of its £75 cancellation charge (which brought it £90.78). And as it couldn't show it had told Mrs M about its placement charge of £73 before she bought the policy – i.e. in the sales call – it wasn't fair to apply it.

Mrs M accepted the investigator's view. Be Wiser didn't agree. It said its policy documents are clear about what it will charge. As Mrs M didn't cancel her policy within the cooling off period, she must have accepted its charges under the policy. Be Wiser has received conflicting views from us about whether its charges are clearly explained or not.

I issued a provisional decision on 8 February 2017. I thought Be Wiser should do more to put things right. I provisionally decided that Be Wiser should refund:

- £15.78 'commission' fee – the difference between the gross and net refund from the insurer.
- £37.71 – the pro rata difference in the insurer's time on cover based on her yearly premium of £226 for 25 days and;
- £55.89 – the pro rata refund for the excess protection 'add on' of £60 for 25 days cover.
- Pay interest on the total refund of £182.38 at 8% simple from the date of cancellation to the date it pays her.
- Pay Mrs M £100 compensation for the poor handling of her complaint.

Mrs M accepted my provisional decision. Be Wiser didn't agree. It said some adjudicators have accepted their charges are fair where it can't locate the sales call recording. The price it offered Mrs M for the 'add on' policy was competitive even if was non refundable.

So the matter has been passed back to me to decide.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. As Be Wiser hasn't provided any new information to change my mind, my final decision is the same as my provisional decision.

Mrs M bought her policy to start on 24 June 2016. It was cancelled on 18 July 2016. So Mrs M was insured for 25 days.

Be Wiser's breakdown to Mrs M says she paid £304.98. She paid £299 on her credit card as the total cost of her policy. But Mrs M has provided a cover letter from Be Wiser dated 22 June 2016 showing it charged her an additional £60 for an excess protection & hire car policy, which she paid in full. So this is why Mrs M says she paid Be Wiser £360 in total.

The £304.98 Be Wiser refers to is made up as follows: Insurer's yearly premium of £226, Be Wiser's placement charge of £73 and a £5.98 credit card charge.

The reference number for the excess protection policy is the same as the reference for Mrs M's motor insurance policy. Be Wiser's letter says if Mrs M cancels the excess protection policy it will keep the full premium. We think this is unfair for any 'add on' products - as a customer should only pay for the cover it received on a pro rata basis - unless a claim was made. No claim was made by Mrs M. Be Wiser hasn't provided any proof that the cancellation cost is more than the cost of the 'add on' policy. So I think Mrs M should only pay a pro rata amount for the duration of the 'add on' cover, which was 25 days. This means Be Wiser should refund £55.89 to Mrs M ($\text{£}60 / 365 \text{ days} \times 25 \text{ days} = \text{£}4.11$).

The investigator asked Be Wiser why Mrs M was charged an insurer premium for time on cover of £53.19. But Be Wiser hasn't answered this. The insurer's yearly premium was £226. So for 25 days of cover, this comes to £15.48 ($\text{£}226 / 365 \text{ days} \times 25$). Be Wiser's policy says the insurer *may* apply short term rates if the policy is cancelled after 14 days. But I've seen nothing to suggest it actually did. And it isn't enough for Be Wiser to say an insurer might charge short term rates. Because Mrs M cannot know how much she may end up paying at any time if her policy is cancelled after 14 days, and this is unfair to her. There is a significant difference between paying for days on cover and paying short term rates. So I think Mrs M should only be charged for the days the insurer covered her, which comes to £15.48.

Be Wiser says it clearly explained it would refund the net premium rather than the gross premium from the insurer to Mrs M in the event of cancellation. It reads:

"any return premium to you will be the net return given by your Insurers less a charge of £75"

I think this implies the insurer makes a tax deduction before it refunds the balance of the yearly premium - which is why Mrs M received a net premium. However, Be Wiser has referred to this charge as a commission charge when writing to us. Be Wiser makes no reference to charging Mrs M for commission in its policy. And it hasn't provided anything to show the actual refund it received from the insurer. So I think its policy wording is misleading. From what I've seen, it simply appears to be a further charge Be Wiser makes in addition to its cancellation charge. So I don't think it's reasonable for Be Wiser to apply it as a commission fee.

We think it's reasonable for an insurer or broker to charge an administration charge when cancelling a policy. So the cancellation charge of £75 Be Wiser set out in the policy has been applied fairly. We also think a placement or 'set up' fee is reasonable if a broker can show it clearly explained this fee in the sales call – so before Mrs M bought her policy. It isn't enough to show it in the terms and conditions once Mrs M bought the policy. Be Wiser hasn't provided a recording of the sales call, but has provided some wording from the script it uses. This isn't enough. We look at if a customer had been made aware of the set up fee, whether it was likely they would have continued with the policy. I think its possible Mrs M may have chosen an alternative policy to buy direct with an insurer, or broker, if she'd been aware of the non refundable set up fee of £73 before she bought her policy.

I understand Be Wiser believes it's received conflicting views about its cancellation charges from this service. But in terms of this case, I've considered our approach as to what we think is fair and reasonable.

We contacted Be Wiser on 19 July 2016 to ask it to reply to Mrs M's complaint. On 25 July 2016 it replied to Mrs M. Although it acknowledged it was replying to her complaint, it didn't give her any referral rights or explain it was their final response. Instead, it said it would close the matter if it didn't hear from Mrs M in 14 days. Be Wiser told us it didn't issue a final response letter because Mrs M didn't indicate she was still unhappy. But I think the way Be Wiser replied to Mrs M's complaint only served to prolong the process for her, which is unreasonable. As a result, Mrs M believed she had to wait for eight weeks to pass before we could look at her complaint. So for the confusion Be Wiser caused in the way it dealt with Mrs M's complaint, I think it should pay her compensation of £100.

my final decision

I think Be Wiser was unreasonable to Mrs M when it cancelled her policy. So I intend to require Be Wiser to refund the following:

- £73 placement (set up) fee
- £15.78 'commission' fee – the difference between the gross and net refund from the insurer.
- £37.71 – the pro rata difference in the insurer's time on cover based on her yearly premium of £226 for 25 days and;
- £55.89 – the pro rata refund for the excess protection 'add on' of £60 for 25 days cover.
- So in total, it should refund Mrs M a further £182.38. Be Wiser should pay interest on this sum at 8% simple from the date of cancellation to the date it pays her.
- Pay Mrs M £100 compensation for the poor handling of her complaint.
- Be Wiser must pay the compensation within 28 days of the date on which we tell it Mrs M accepts my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision to the date of payment at a simple rate of 8% a year.
- If Be Wiser considers that it's required by HM Revenue & Customs to withhold income tax from that interest, it should tell Mrs M how much it's taken off. It should also give Mrs M a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 10 April 2017.

Geraldine Newbold
ombudsman