

## **complaint**

Mr P has complained about the amount Hastings Insurance Services Limited charged him after he cancelled his motor insurance policy.

## **background**

Mr P wanted to cancel his motor insurance policy. He believed he'd told Hastings he wanted to cancel it from 17 October 2018. Hastings said it was cancelled from 23 October 2018. It said that after applying its charges, although Mr P paid a £45 cancellation fee, he still owed it around £106.

Mr P didn't believe he owed anything so he brought his complaint to us. One of our team managers looked into Mr P's complaint. She said that Hastings hadn't done anything wrong. But she thought that Hastings should accept Mr P's evidence that he'd sent an email on 17 October asking to cancel the policy from 20 October 2018. So she said that Hastings should bring forward the cancellation date to 20 October 2018.

Neither Mr P nor Hastings agreed with our team manager so the complaint's been passed 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. Having done so, I agree with our team manager's conclusions.

Hastings is an insurance broker. That means it arranges and administers policies but it doesn't actually provide the cover or apply a charge for the time on risk. That is done by the insurer which is a separate business. But Hastings collects the premiums on behalf of the insurer.

It seems Mr P might have misunderstood the manner in which he paid for his policy. Insurance policies of the sort that Mr P had are generally charged on an annual basis. That is insurers and brokers will charge a consumer at the outset for the full costs of the policy for the year. Brokers like Hastings may arrange for the consumer to pay that total yearly sum in instalments. That is the consumer repays the amounts they owe, most often on a monthly basis, by direct debit. But they are still repaying their full premium for the year. Their policy doesn't "renew" each time they pay a monthly instalment and each payment isn't necessarily equal to one month's worth of premium. But instead each instalment is paying off a portion of the full annual charge. And that charge will be made up of both the insurance cover and any broker fees.

When a consumer cancels a policy it's usual for the insurers to charge for the time on risk. That is the insurer will calculate how many days it's provided the insurance cover for and charge the consumer for each day of that cover. And where a broker is collecting those funds for it, the insurer will generally ask the broker to collect any sums owed.

Similarly, on cancellation it's usual for a broker like Hastings to make sure that the policyholder has paid it all its charges. This will include charges for things like arranging the policy, fees for any amendments to it and a cancellation charge. And it will add that amount to any cost for the time on cover the insurer has asked it to collect. If the consumer has

already paid more than the sum owed they will get a refund. If that amount is less than the consumer owes then the broker will charge that balance to the consumer.

In this case Hastings initially calculated that when adding together everything Mr P owed and deducting everything he'd paid, he still owed it £106. But after he'd complained to us it looked again at its calculation and said the time on risk had been incorrect and the correct figure that Mr P owed should have been £93.87. But Mr P didn't think it was fair that he should have to pay anything more than the £45 cancellation fee he'd already paid.

As I've said above, it seems that Mr P might have misunderstood how charges are applied for time on cover. He said his policy was due to "renew" on 21 October 2018 and he'd asked Hastings to cancel it before then. But Mr P's policy wasn't due to "renew" on 21 October. This was simply the date that his next instalment for his insurance cover and fees was due from. And as he still had a balance to pay that meant he was still required to make payment, even if his policy cancelled before that date.

In this case Mr P's shown us an email he says he sent to Hastings on 17 October 2018. It says:

*"I'm writing because I wuold [sic] like cancel my car policy*

*So don't renew after the 20 of octber [sic]"*

In other words it appears that Mr P asked Hastings to cancel his policy from 20 October 2018. Hastings has no record of receiving that email. It says that Mr P might have sent it to an incorrect address. And it's told us that even if it had received the email it would only accept a cancellation request over the phone. But Mr P's policy doesn't say he would need to phone it in order to cancel the policy. So I don't think it's fair that Hastings should say it would only cancel a policy from the date of a phone call. And Mr P's told us that he scrapped the car on 19 October 2018. And until that date it would have been a legal requirement that he kept his car insured. Hastings has suggested that Mr P should provide evidence that he's scrapped the car. But I understand he's no longer living in the UK. So I don't think it's reasonable to expect him to provide that evidence now.

So, given Mr P's shown us evidence of a request to cancel the policy from 20 October 2018, even if Hastings can't find that request, I think it's fair that it accepts that as the date Mr P requested the policy cancelled.

But I must caution Mr P that - by my calculations - that will only reduce the amount he owes by a sum equal to three days of cover, which I calculate to be around £6.16. The fact that this brings the closure date prior to the date he was due to pay a premium instalment doesn't mean that he won't have any more to pay. And I've looked at the other charges that Hastings has applied and I'm satisfied it's applied those fairly. So I think it's reasonable that Hastings advises the insurer to recalculate the amount Mr P owes for his time on cover, based on a closure date of 20 October 2018. .

### **my final decision**

For the reasons set out above, I partly uphold this complaint. Unless it has already done so, I require Hastings Insurance Services Limited to advise its insurer to recalculate the sums Mr P owes based on a cancellation date of 20 October 2018. It may then continue to recover the balance owing from Mr P.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 24 August 2019.

Joe Scott  
**ombudsman**