

## **complaint**

Mr C complains that Hastings Insurance Services Limited, trading as Hastings Direct, has wrongly charged a £20 arrangement fee on a motor insurance policy that he cancelled within 24 hours of its purchase, and therefore before the policy start date. He wants the fee refunded.

## **background**

Mr C applied for car insurance with Hastings over the telephone. He says that the call was lengthy and conducted at such a fast pace that no-one could reasonably be expected to have taken in all that was said. He agreed to take out the offered policy with Hastings and paid the premium but the following day, after reflecting on the call and the policy details, decided that he did not want it after all. He therefore contacted Hastings to cancel the policy.

Mr C is dissatisfied that Hastings has returned his premium less a £20 arrangement fee. He says that it should not have done so as cancellation was within the cooling off period and before the policy actually started.

Hastings says that Mr C was told about the arrangement fee being non-refundable in the telephone call when he agreed to take out the policy, and is justified because of the work involved in setting up the policy.

Our adjudicator did not recommend that the complaint should be upheld. She concluded, in summary, that such a fee was commonplace in the industry and reasonable in the circumstances. It had been explained to Mr C when he took out the policy.

Mr C does not accept the adjudicator's conclusions. He says, in summary, that the fee was mentioned very late in the telephone conversation, by which time he might not have taken in all that he was being told, and he also questions whether such a fee is allowed under the Consumer Credit Act. He also considers this service biased towards the financial services industry because it is funded by it.

## **my findings**

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

I appreciate that Mr C is raising what he considers to be a matter of principle here, and that he is happy for the amount involved to be paid to charity if I consider it to have been wrongly charged. In his submissions he has expressed his strong views about what he considers to be bad business practice in charging such fees within a cooling off period, and does not accept that other insurance companies charging similar fees is an acceptable basis for the adjudicator not recommending his complaint be upheld. He also considers this service to be biased against customers because of the way it is funded.

However, the manner in which the Financial Services Ombudsman operates and is funded was laid down by an Act of Parliament. We provide an informal dispute resolution service, free to complainants and funded by the financial services industry, as an alternative to the courts. The Act requires that we reach our decisions by considering objectively the evidence provided by all parties and deciding what we consider to be fair and reasonable in the circumstances of individual complaints. We are not a regulator and do not have the power to

require a firm or a sector to change its policies or processes, and we are not able to interfere in matters of commercial judgement, such as the level of fees a firm chooses to charge.

Turning to Mr C's specific complaint, I have considered carefully all that he has said but do not find it unfair or unreasonable for Hastings to have charged a £20 arrangement fee in the specific circumstances involved. Mr C was told of the fee before he agreed to take the policy. We have been provided with a recording of the call and I am satisfied that a clear explanation of it was provided to Mr C. Hastings carried out work in putting the policy in place before Mr C cancelled it, and it is appropriate for it to be reimbursed for its costs in doing so.

As it was still in the cooling off period after the policy was accepted, Hastings was not able to charge its usual cancellation fee but was entitled to charge an arrangement fee to cover its costs. Outside the cooling off period I do not consider it unreasonable for it to have charged both.

The Consumer Credit Act does not apply to an insurance policy unless payment of premiums is over a period and subject to a consumer credit agreement, which was not the case here.

#### **my final decision**

For the reasons given above, my final decision is that I do not uphold this complaint against Hastings Insurance Services Limited, trading as Hastings Direct.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr C to accept or reject my decision before 9 January 2015.

Malcolm Rogers  
**ombudsman**