

complaint

Mr S has complained that Be Wiser Insurance Services Ltd cancelled his motor policy and it has unfairly charged him.

background

Mr S bought a motor policy through a broker, Be Wiser in October 2014. Be Wiser asked Mr S for proof of his nine years No Claims Bonus (NCB). Mr S told Be Wiser that he wouldn't be able to provide for another week as it was at another address. Be Wiser extended the period of time for Mr S to provide his NCB proof by a further week. As it didn't receive it on time, it cancelled Mr S's policy at the end of November and wrote to him early December to confirm the cancellation. After deducting its and the insurers charges including days the insurer covered him, Be Wiser said Mr S owed it £104.72.

Toward the end of December Mr S contacted Be Wiser and it was now able to verify his NCB of nine years. He bought another policy and agreed to pay for it monthly by Direct Debit.

Be Wiser then wrote to Mr S in January, February and March about his first policy. It said that he owed it £104.72 and warned him that it would cancel his policy if it didn't receive the payment. So it wasn't clear to Mr S that this was for the outstanding balance due under the first policy as Mr S's first policy had already been cancelled.

Mr S contacted Be Wiser in February and asked for a call handler to call him back. Be Wiser called Mr S back but wasn't able to speak to him.

It then wrote to Mr S in March about arrears under his second policy and warned him that this policy may be cancelled.

In April Mr S called Be Wiser and asked it if his policy was still in place. It told him his second policy was. Mr S said that he thought it had been cancelled as he was confused by the letters he'd received. He said he had paid for taxis to take him to and from the hospital and his GP as he has an ongoing respiratory condition. He didn't use his car because he thought he wasn't insured.

Be Wiser said that it would waive the balance due under the first policy of £104.72. It told Mr S that he was now in arrears under his second policy and needed to bring it up to date. Mr S paid the balance to bring his second policy up to date toward the end of April.

In May Mr S cancelled his motor policy as he no longer had his car. He paid a balance payment of £26 to Be Wiser following the cancellation.

Mr S brought his complaint to us. He was unhappy with the way Be Wiser dealt with its request for evidence of his NCB under his first policy. And he thought it was unfair that his second policy was more expensive than the first policy. He wanted a refund of the premiums he paid in February, March and April because he didn't have the use of the policy as he didn't use his car.

Be Wiser responded to Mr S's complaint. It said that it had fairly dealt with the cancellation of Mr S's first policy but it acknowledged that Mr S hadn't received a good service from it when he called it and asked for a manager to call him back during February. So it said it would reduce its arrangement fee to £40 under the second policy and offered Mr S £100 compensation for the trouble and upset its poor service caused him.

Mr S didn't accept Be Wiser's offer. The adjudicator who investigated the complaint recommended that it should be upheld in part. She was of the view that Be Wiser had reasonably cancelled Mr S's first policy. But she thought that Be Wiser hadn't shown that its commission and arrangement fee had been highlighted to Mr S before he bought both policies. As these were significant she didn't think it was reasonable for Be Wiser to charge Mr S for them. So she recommended that for the first policy Be Wiser only charge a reasonable cancellation fee and not a commission fee or arrangement fee.

For the second policy Be Wiser had already reduced its arrangement fee from £289.50 to £40. But because again Be Wiser couldn't show that it had explained its commission and arrangement fees when Mr S bought the second policy, the adjudicator recommended that it waive the £40 reduced fee.

She recommended that Be Wiser pay Mr S £100 compensation for the trouble and upset caused to him. However she felt that Mr S had the opportunity to shop around if he wasn't happy with the higher premium Be Wiser quoted to him for the second policy.

Be Wiser didn't agree. It said;

- It should be allowed to retain at least £40 of its non refundable arrangement fee for both policies.
- Its charges are clearly explained to customers when they buy the policy and then sent by post and email to them where they have 14 days to change their mind and cancel if they want to.
- It wasn't aware that Mr S wasn't driving his car believing he wasn't insured between February and April. If he had told it in February it would have made every effort to assist Mr S by providing correct information. i.e. told him that he was still insured.
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The adjudicator reconsidered and felt that it was reasonable for Be Wiser to charge an arrangement fee but that this should be no more than £40 under each policy. She recommended that Be Wiser shouldn't charge any commission fee from the first policy.

Be Wiser didn't agree. It said that it has no control over the insurer's charge for the days it insured Mr S. Its cancellation charge is as per its terms of business and is 20% of the insurer's net return. So if it doesn't take commission into consideration then 20% of the return following cancellation is £78.46.

Mr S didn't agree and wants a full refund of the premiums he paid under his second policy from February to April.

So the matter has been referred 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.

After Mr S bought his first policy there were problems finding proof of his NCB. Mr S said that Be Wiser told him when he bought his policy that it knew he had nine years NCB. Mr S said he had a policy previously through Be Wiser in 2012 so it had a record of his NCB history. But Be Wiser approached another insurer to get proof of his NCB but couldn't because he had changed address. Without proof from Mr S, Be Wiser couldn't continue Mr S's policy. Although Mr S said that he didn't receive Be Wiser's letters, I'm satisfied that it wrote to him four times requesting evidence of his NCB and warned him that his policy would be cancelled if it didn't receive it before it finally cancelled his policy. It then sent Mr S a cancellation letter to tell him his policy had been cancelled. So I think Be Wiser was reasonable to Mr S in its decision to cancel the first policy.

Be Wiser is of the view that it was clear about what it would charge if a policy was cancelled. However, it hasn't been able to provide the call recordings of when Mr S bought both policies so it hasn't shown that it drew his attention to its charges. In its terms it says;

"In addition to the premiums charged or returned by Insurers we do charge up to 20% of the premium plus £25 for any additional or return premium. The adjustment schedule will show the net due to the Insurer and you will be advised of any charges when obtaining quotations for adjustments."

In Mr S's case under his first policy it charged him the following:

£ 53.78 - Insurer's charge for days of cover
£140.00 – non refundable arrangement charge
£ 30.00 - Instalment arrangement charge
£ 6.25 - Interest retained by the finance company
£117.70 - 20% retained of the Insurer's net return following cancellation

I think that the arrangement fee of £140 is significant and should have clearly been explained to Mr S when he decided to buy the policy. I think it's fair to charge a reasonable fee, which in this case should be £40.

For the £117.70 charge, I don't think Be Wiser is wrong to charge something for its commission in addition. However, I would expect the amount to be clearly laid out in its terms with an explanation as to how it would be calculated. I don't think that '*up to 20% of the premium*' is clear enough as the policyholder has no idea exactly what he might be charged at any given time throughout the life of the policy if it's cancelled. It also provides no reasoning as to how any percentage up to the maximum of 20% is calculated. Had it done so, Mr S would have been able to see if this charge would have been more or less, depending on when he cancelled his policy.

I therefore think this element isn't fair as it fails to provide a policyholder with sufficient information of what he might be charged if the policy is cancelled at the time he is making the decision to buy the policy.

As Be Wiser didn't allow Mr S to know precisely what amount of the premium return would be payable as an additional charge if he cancelled at any given time prior to buying the policy, I don't think it's fair of it to charge him the £117.70.

Be Wiser is of the view that because the policy numbers were different on their letters, it was clear to Mr S which policy it was referring to in its letters to him. However, I think Be Wiser was at fault because its letter in February warned Mr S that his policy would be cancelled – relating to the first policy that it had already cancelled in November. And in its letters in March where it asked for a balance payment for the second policy, it didn't quote how much Mr S needed to pay. So Mr S was understandably confused as he assumed the letters referred to his second policy which was live at the time. Although the policy number is quoted in the top right corner of the letters, I think Be Wiser could have made it clearer for Mr S to distinguish what policy it was asking for a balance payment for, given the overlapping time frame of both policies. I think that Be Wiser's decision to waive the balance payment of £104.72 as a result of the confusion it caused Mr S was fair and reasonable.

Mr S wants a full refund of the premiums that he paid from February to April because he thought he was uninsured. He said that he paid for taxis for hospital and GP appointments instead of driving his car. However I think that it's reasonable for Mr S to pay for the days he was insured under both policies as if a claim had come to light during that period, his insurer would have covered it. And from February to April, Mr S didn't tell Be Wiser that he thought he wasn't insured. In April Be Wiser sent Mr S a copy of his certificate of insurance which showed that he was insured from December 2014 to December 2015. So I don't think Mr S should receive a refund of the premiums he paid for the days his insurer provided cover.

Mr S feels that he was unfairly charged a higher premium for the second policy that he bought through Be Wiser. However I think that Mr S had the choice to shop around if he didn't think the quote provided by Be Wiser was fair. So I don't think Be Wiser was unreasonable to Mr S when it arranged a second policy for him in December.

For the second policy, Be Wiser quoted an arrangement fee of £289.50 which is again a significant amount. For the same reasons as I've explained under the first policy, I don't think Be Wiser should charge Mr S £289.50 as it hasn't shown that it was specifically highlighted to Mr S until after he bought the policy. Be Wiser agreed to reduce this fee to £40 as part of its first offer to Mr S which I think is reasonable. So for the second policy Mr S paid:

£222.80 - Insurer's charge for days of cover

£ 40.00 - Be Wiser's non-refundable arrangement charge (reduced from £289.50)

£ 55.70 - Interest retained by the finance company:

£ 30.00 Instalment arrangement charge:

£ 25.00 Cancellation charge:

So I think Be Wiser's reduced charges following the cancellation of Mr S's second policy are reasonable.

I think Be Wiser caused Mr S some trouble and upset when it sent incorrect information to him during February and March which prompted Mr S to call Be Wiser in February. It didn't do enough to contact Mr S when he asked to be called back by Be Wiser as it was the following month when it wrote to him again. For this it should compensate Mr S for £100.

my final decision

For the reasons I've given above, my final decision is that I uphold this complaint in part and I require Be Wiser Insurance Services Ltd to do the following:

- Reduce the arrangement fee charged under the first policy to £40. Pay interest on the refund at 8% simple interest per year from the date it charged Mr S to the date it refunds him.
- Pay Mr S £100 compensation for the trouble and upset it caused him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 11 February 2016.

Geraldine Newbold
ombudsman