

complaint

Mr B complains that - after he cancelled his motor insurance policy - Sabre Insurance Company Limited didn't refund any of the deposit he'd paid.

background

Mr B took out a policy for a year. He paid a deposit and agreed to pay the balance by instalments. There was the usual fourteen-day cancellation period. About three days after that expired, he cancelled the policy. He complained that Sabre didn't refund anything.

The adjudicator recommended that the complaint should be upheld. She thought that the business had unfairly charged short- term rates. She recommended that Sabre should:

1. recalculate the charge for time on risk on a pro-rata basis;
2. refund Mr B the difference between that figure and the £117.73 he'd paid;
3. add 8% simple interest to that refund.

Sabre disagrees with the adjudicator's opinion. It says, in summary, that it's entitled to exercise commercial judgment about its terms – and it made its terms clear to Mr B when he took out the policy online.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The policy booklet contained a table showing the proportion of the premium the business would charge on cancellation at various stages in the year for which the policy would otherwise run.

In the case of a cancellation in the period after the first two weeks but in the first one month, it said Sabre would keep 20% of the premium for the year. So Sabre's short- term rate for cancellation in that period was equivalent to what it would otherwise have charged for about ten weeks of cover.

Mr B's policy cost about £588. I don't think it's a coincidence that Sabre charged a deposit of about 20%, that is £117. I think Sabre set the deposit at a level which would cover the short-term rate for the period before another payment fell due.

In many cases, I find short- term rates unfair - keeping in mind the relevant law, regulatory guidance and good practice. In particular – as most motor policies allow either the consumer or the business to cancel without giving a reason - there's unfairness if the business can charge short-term rates even if it initiated the cancellation.

So I would at least expect Sabre to draw such rates to Mr B's attention when he took out the policy.

They were on page eight of the policy booklet. Sabre says they were also in a keyfacts® policy summary – but it hasn't sent us a copy of it or any screenshot of what Mr B saw when he took out the policy online in the summer. So I'm not satisfied that Sabre did enough to highlight the short-term rates to Mr B.

And Sabre hasn't provided any argument or evidence that its short-term rates were justified by fair reasons.

Therefore, I don't think it was fair that Sabre charged Mr B the whole of his deposit when he cancelled in the third week.

I find it fair and reasonable to order Sabre to charge Mr B no more than the proportion of his premium that his time on cover bears to the whole year. This will mean a refund to Mr B.

And – as he has been out of pocket for some time – I will order Sabre to pay interest at our usual rate.

Mr B hasn't persuaded me of a contractual basis for him to impose his administration charges on Sabre. And there's not enough evidence to support his statement that – by not dealing with him fairly - Sabre was the cause of him giving up driving.

But I don't doubt that – by a decision I've found unfair – Sabre caused Mr B some extra upset and put him to some extra trouble at an already difficult time. And I think it's prolonged this and made it worse by its response to his complaint and to the adjudicator's opinion. So I find it fair and reasonable to order Sabre to pay Mr B £50 for trouble and upset.

my final decision

For the reasons I've explained, my final decision is that I uphold this complaint. I order Sabre Insurance Company Limited to:

1. charge Mr B no more than the proportion of his annual premium that his time on cover bears to the whole year;
2. pay Mr B a refund in line with paragraph 1;
3. add simple interest on that refund at a yearly rate of 8% from 31 August 2015 to the date it refunds him. If it decides it has to deduct tax from the interest element of my order, it shall send Mr B a tax deduction certificate when it pays him. He can then use that certificate to try to reclaim the tax, if he's entitled to do so;
4. pay Mr B £50 for trouble and upset.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 30 December 2015.

Christopher Gilbert
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