

complaint

Mr F complains that Hastings Insurance Services Ltd charged him a fee when he cancelled his motor insurance policy.

background

Hastings acted as the broker for Mr F when it set up his policy. The policy renewed in 2012 and 2013. Mr F decided in May 2014 that he wished to cancel the policy, outside the cooling off period and after the renewed policy had been running for six months. Hastings charged a £55 fee to administer this request.

In Section 4 of the broker's terms it states:

"What will you have to pay us for providing our services to you?"

...Cancellation £55"

In justifying the charge, Hastings has written:

"Our administration fees solely cover the costs that Hastings Direct incurs for administering your policy. These expenses include, but are not exhaustive of, updating the Motor Insurance Database (MID), updating our systems, printing and postage costs."

Mr F has said this fee is unfair and has not accepted it. In making his complaint to the Financial Ombudsman Service he has said that people do not read the policy documents. He has suggested the fee is not proportionate to the amount of work carried out by the broker, as he received his cancellation documents from the broker shortly after contacting it to confirm his wishes.

Our adjudicator investigated the complaint and found that the cancellation charge had been set out in the policy documents sent to Mr F both when he first took the policy out and again at renewal. He noted that such a charge is not unfair or unusual, and considered the amount was not unreasonable. He therefore did not recommend that the complaint be upheld.

Mr F disagreed with the adjudicator and so the matter has been passed to me to decide.

my findings

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

In assessing the complaint I need to consider whether Mr F was made reasonably aware of the cancellation fee at renewal, and whether the fee is fair and reasonable under the circumstances.

That part of the agreement setting out the cancellation charge appears on the first pages of the broker's terms and conditions, just after the covering letter sent to Mr F on renewal. It is clearly detailed in the list of all charges made for various actions carried out by Hastings. I am satisfied that Mr F was given an opportunity to note the cancellation charge and take action if he was not prepared to accept it. Mr F may not have read the documents when they were sent to him, as he has suggested. However that does not alter the fact that Hastings took appropriate steps to make him aware at the time of this charge, and I do not consider it should reasonably have needed to do any more.

The explanation given by Hastings for the administration charge also appears to me to be appropriate and fair. The activities covered are extra services which would not ordinarily need to be carried out by the broker if the policy was to simply lapse or renew. They are activities required to be carried out because the policy has been cancelled mid-term. I do not consider it is unfair or unreasonable for the broker to charge a fee for these activities if the consumer wishes to end the policy before the expected time – and provided that the fee has been previously clearly disclosed. The fee is not a penalty and I do not see such a charge as representing an excessive profit for the business, as Mr F has suggested. I do not consider such a charge is inherently unfair although the fee itself also needs to be fair, and to reasonably reflect the work done. I appreciate that Mr F may feel that the work undertaken by Hastings to cancel the policy was not great. However, I am satisfied that the fee reasonably reflects the administrative steps required and is consistent with that charged by other businesses.

my final decision

For the reasons above, it is my final decision that I do not uphold this complaint.

I make no award against Hastings Insurance Services Ltd.

Helen Moye
ombudsman