

complaint

Mr T complains that Be Wiser Insurance Services Ltd mishandled his motor insurance.

background

Be Wiser acted as an intermediary between Mr T and an insurer. He took out a policy but cancelled it after about a month. He complained that he'd paid just over £500.

The adjudicator recommended that the complaint should be upheld. She thought that the amount Be Wiser had charged Mr T was too high. She recommended that Be Wiser should:

1. refund Mr T £251.62;
2. add simple interest at 8%, from the date Mr T paid this sum to the date of the refund.

Be Wiser disagrees with the adjudicator's opinion. It says, in summary, that its charges were in line with its terms of business.

my findings

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

From the outset, Be Wiser provided Mr T with confusing information. It said:

"The total cost of your policy is £1275.07, this is inclusive of the £1318.00 premium due to your Insurers and a balance of £39.97 as our non refundable charge for placing this policy."

That simply doesn't add up.

But from the policy documents, I think the insurer's premium for a year's cover was £1,318.

Mr T paid a deposit of about £285 and agreed to pay nine further instalments of about £127. So I think the total cost would've been about £1,428.

I've looked at Be Wiser's terms. I think it was in line with those terms for it to charge both a fee for placing the policy (£39.97) and a fee for arrangement of the credit (£30).

Mr T was on cover for 35 days.

He'd paid one instalment of about £127.

For 35 days at a yearly rate of £1,318, I would expect a fair charge for time on cover would also be about £127.

But – when he wanted to cancel – Mr T made a card payment of a further sum of about £89.

Be Wiser has told us the insurer charged £153.41 for time on cover.

It has also said that the insurer charged a cancellation fee of £26.50.

Be Wiser has highlighted a term which allows it to pass on any “short-term rates” charged by the insurer. But I’m not satisfied that the insurer charged any such rates. I find it more likely that the insurer charged about £127 for time on cover plus a cancellation fee of £26.50, a total of about £153.50.

On a yearly premium of £1,318, this would’ve generated a refund from the insurer to Be Wiser of about £1,164.50.

And Be Wiser’s terms provided for it to keep 20% of such a refund. That would be about £233. So I think that’s why it charged a cancellation fee of about £191. Be Wiser later offered to reduce it to about £85.

But I don’t think Be Wiser has been at all clear about its cancellation fee – let alone justified it as fair.

And in any event I think the insurer had already charged a cancellation fee. So I don’t think it was fair for Be Wiser to charge a cancellation fee as well.

Overall I don’t think it would be fair and reasonable for Be Wiser to charge Mr T any more than the following:

placement fee	£39.97
arrangement fee	£30.00
insurer’s charge	£153.41
total	£223.38

Mr T paid £501.50.

So I will order Be Wiser to refund him the difference of £278.12 plus interest at our usual rate from the date of the cancellation.

I don’t doubt that – by charges which I’ve found unclear and unfair – Be Wiser has caused Mr T upset and trouble. I think it’s made this worse by its response to the adjudicator’s opinion. I think it’s fair and reasonable to order Be Wiser to pay Mr T £50 compensation for trouble and upset.

my final decision

For the reasons I’ve explained, my final decision is that I uphold this complaint. I order Be Wiser Insurance Services Ltd to:

1. not charge Mr T in connection with his cancelled policy any more than £223.38;
2. refund Mr T £278.12 plus simple interest at the yearly rate of 8% from 20 January 2016 to the date of the refund. HM Revenue & Customs requires Be Wiser to take off tax from this interest. Be Wiser must give Mr T a certificate showing how much tax it’s taken off if he asks for one;
3. pay Mr T £50 compensation for trouble and upset.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 29 July 2016.

Christopher Gilbert
ombudsman