

complaint

Mr B complains that Tradewise Insurance Company Limited cancelled his commercial motor insurance policy. He's also unhappy with the cancellation charge applied and the refund of premium he received. He wants a refund of £700.

background

At the renewal of his policy, Tradewise asked Mr B's broker for him to provide validating documents. It allowed 45 days for these to be provided but extended this to 62. They didn't arrive by the required date and Tradewise sent a notification of cancellation letter and then the policy cancelled. Mr B received refund of policy premium calculated for not exceeding three months cover on short-term rates.

Our adjudicator recommended that the complaint should be upheld in part. He thought Tradewise had fairly and reasonably cancelled the policy according to the policy terms and conditions. But he thought it should have done this sooner and so provided Mr B with a greater refund. He thought it should give Mr B a further refund of premium with interest.

Tradewise replied that it was being penalised for allowing Mr B extra time to provide the required documents. It said 45 days notice was a guideline. It said delays in the complaint were outside its control. It asked for an ombudsman's review, so the complaint has come to me for a final decision.

my findings

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

I can see that Mr B has concerns about the service provided by his brokers and another insurer. But I can only consider his complaint about Tradewise here as these are separate businesses.

Our approach in cases like this is to consider whether the insurer's acted in line with the terms and conditions of the policy and fairly and reasonably.

Tradewise requested various documents from Mr B and gave him 45 days to provide them. I think that's fair and reasonable as Tradewise is entitled to assess the risks it covers and also to validate the policy. Mr B was unable to produce these documents within the extended time permitted. And so the policy was cancelled following seven days notice.

I think this cancellation was made according to the policy terms and conditions. And so I can't say it was unfair or unreasonable.

Tradewise had given Mr B 45 days to provide the documents. It then extended this to 62 days. Whilst this might have been intended to benefit Mr B by giving him extra time to provide his documents, the consequence was adverse for Mr B.

This is because the refund of premium following cancellation was calculated on short term rates for a period not exceeding three months (55% charge of premium). If Tradewise had cancelled the policy two days earlier, then Mr B would have been charged for a period not exceeding two months (40% charge of premium). The difference for Mr B was £123.80.

I don't think this was fair and reasonable. Mr B had been with Tradewise for 12 years. I think that if Tradewise had acted on its initial timescale, Mr B would have had a greater refund. So I think Tradewise has unfairly penalised Mr B by not cancelling the policy earlier.

Tradewise said that delays in the complaint were outside its control and so it shouldn't have to pay interest on any further refund. But I disagree. There was a gap between the policy cancellation and Mr B's complaint about it, but this doesn't mean that Mr B wasn't entitled to raise a complaint. Mr B brought his complaint to us within the time allowed. Mr B has been without his money for some time due to Tradewise's error. So I think it should reasonably add interest to this further refund of premium.

my final decision

My final decision is that I uphold this complaint in part. I require Tradewise Insurance Company Limited to do the following:

1. Pay Mr B the further refund of premium he would have received if the policy had been cancelled within the two month period, adding interest at 8% simple per year from the date of cancellation to the date of settlement.
2. HM Revenue & Customs requires Tradewise to withhold income tax from that interest. It must give Mr B a certificate showing how much it's taken off if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 3 March 2020.

Phillip Berechree
ombudsman