

The complaint

Mr Z complains that Dynamo Cover Limited applied a Retail Price Index adjustment to his GAP insurance and breakdown policy which he wasn't informed of at the point of sale. He was subsequently charged a fee when he tried to cancel his policy.

What happened

- In 2021, using an online comparison site, Mr Z took out a GAP Insurance and breakdown policy for 48 months of cover.
- In 2023, Mr Z was contacted by Dynamo to advise of a premium adjustment in line with the Retail Price Index (RPI). Mr Z says this wasn't mentioned when he took out the policy.
- Mr Z subsequently asked to cancel his policy as he no longer had the car, but he was told he'd have to pay a cancellation charge.
- As he was unhappy, Mr Z raised a complaint. But when Dynamo didn't respond, he contacted our service.
- Our Investigator was satisfied that Dynamo had acted fairly because the RPI and cancellation charges were clearly sent out in the policy documentation.
- Mr Z didn't agree as he says the policy terms aren't fair or transparent. He says he's due a pro rata refund which he hasn't received. And Dynamo's complaint handling didn't meet the regulator's guidelines.
- The complaint was passed to me to decide, and I issued a provisional decision which I've set out below.

My provisional decision

Mr Z took out his policy using an online comparison website on what we'd call a "non-advised sale" basis. This means Mr Z didn't take any advice on the policy and whether it met his needs. In these circumstances, Dynamo must provide Mr Z with enough information to make an informed decision about taking out the policy.

Mr Z says the RPI premium adjustments weren't mentioned when he purchased the policy, so I've looked at the information provided on the price comparison website. I can see that on the table of results which set out all the policies available to Mr Z, Dynamo's entry has a pink banner which says *"this provider reserves the right to potentially increase their fees in line with the Retail Price Index plus 3.8% during the year"*.

Once the Dynamo policy is selected, Mr Z would've been taken to Dynamo's website where he would've had to tick a box that said he'd read, understood, and accepted the policy documents and terms of business. It gave links to the pricing policy, terms of business, policy wording, and key facts document. It wasn't possible for Mr Z to complete the purchase

of the policy without ticking that box. So I feel that Dynamo did enough to bring the relevant terms to Mr Z's attention before he bought the policy.

The pricing policy document says:

"Each year, your Fee for our services will be increased by the RPI rate of inflation announced in February plus 3.8%. If the RPI is negative, we'll only apply the 3.8%. RPI is a widely recognised measure of the general level of inflation. Several industries use it as a guide on whether to adjust prices and by how much.

As a Dynamo Cover user, the RPI will impact the fee charged for our services – We reserve the right to amend the cost for our services during your agreement, and pass the cost on to you the consumer. Please refer to our Terms of Business for further information."

It goes on to explain what RPI is and how it's calculated.

The Terms of Business document says:

"Each year the Fee for our service or our Membership Fee will be subject to an annual increase. This is determined by calculating to the total amount paid to us by the RPI Rate plus an additional 3.8%, which is applied at the same time. If the RPI Rate is negative, we'll only apply the 3.8% - The RPI rate is usually announced by the UK Government in February each year. When this occurs we will contact you to confirm what price impact this will have on yourself and will process this charge either in April using the card details we hold on file, or this amount will be added to your Direct Debit payment plan.

Your fee paid is detailed on your schedule of insurance and is separate to your Premium paid and Insurance Premium Tax (IPT). This annual price rise will be shown as an additional Fee and not an increase in the Premium or IPT paid."

It goes on to give examples of the calculations.

As such, I'm satisfied Dynamo provided Mr Z with enough information to make an informed decision on whether he wanted to take out the policy. I appreciate Mr Z now says these terms weren't fair or transparent. But I'm not persuaded that's the case. Ultimately, if he didn't think this was fair or if he wanted a policy that wasn't subjected to RPI, he didn't have to proceed with the purchase or he could've cancelled within the first 14 days of cover.

Dynamo contacted Mr Z in February 2023 by email to let him know about the RPI price adjustment. As Mr Z was dissatisfied, he opted to cancel his policy and he says he no longer had the car at that time in any event. It's not clear why Mr Z didn't cancel his policy in the summer of 2022 when he sold the car.

The policy wording says:

"Your cancellation rights

You can also cancel your policy at any other time and receive a pro-rata refund of your premium based on the number of whole months of the original insurance period remaining, subject to an administration fee charged by the administrator of £34.99."

In line with the policy terms, Dynamo has applied a £34.99 cancellation fee. I don't think Dynamo charging an administrative fee, that was brought to Mr Z's attention before the sale, was unfair or unreasonable and this is in line with standard industry practice.

Mr Z says he hasn't been given a pro-rata refund. Dynamo says Mr Z cancelled his policy with 25 months left of cover, so he's entitled to a refund of £36.26. They've asked us to explain the breakdown of the calculation to Mr Z which is the policy premium of £136.94 divided by 48 months = £2.85, multiplied by 25 months and minus the cancellation fee.

I haven't seen any information to show that Mr Z was offered this refund directly by Dynamo at the point he asked to cancel his policy nor am I aware that it has been paid – Mr Z says he hasn't received anything. Given that Dynamo should have arranged this refund by now directly with its customer and could've returned it to the card details Mr Z's premiums were taken from or sent a cheque, I don't think it's reasonable that this remains unpaid. As such, in the absence of any further evidence from Dynamo to show that efforts have been made to pay it, I intend to award 8% simple interest per annum on this refund.

And finally, I understand Mr Z isn't happy that Dynamo didn't send him a final response letter (FRL) within eight weeks of his complaint in accordance with the regulator's rules for complaints handling. Dynamo says it had a system error which resulted in the complaint not being handled correctly.

While it's correct that Dynamo didn't send Mr Z an FRL, it's not my role to fine or punish a business and I can see that Mr Z referred his complaint to our service after the eight weeks had passed. Once our service got involved, Dynamo provided us with the information to investigate what had happened. So I don't think Mr Z suffered any prejudice by not being sent an FRL.

Responses to my provisional decision

Dynamo has raised the following points regarding the pro-rata refund:

- Mr Z was given the link to the cancellation page on 1 and 7 March 2023, and the pro-rata refund was offered to him on that page when he used it. But Mr Z didn't proceed with the cancellation because he didn't want to pay the cancellation fee.
- As such, the policy has remained active and no refund was processed because Mr Z hasn't actioned the cancellation himself. And Dynamo can't cancel the policy without his agreement or our service's instruction to do so.
- Dynamo also didn't want to take any action on the policy whilst it was being investigated in case the action was contrary to a final verdict.
- Dynamo are willing to honour the cancellation from March 2023 and given that it can take this action immediately, they say this could mean the 8% would be calculated on 0 days.

Mr Z didn't respond.

What I've decided – and why

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

In the absence of any further submissions regarding the RPI adjustment and the cancellation fee, I see no reason to deviate from the outcome explained in my provisional decision. So I'm not upholding this part of the complaint.

In regard to the pro-rata refund, I've thought about the comments Dynamo has made but these don't alter my decision to uphold this part of the complaint. And I'll explain why.

Whilst I appreciate Mr Z didn't proceed to cancel his policy on the cancellation page, this was because the page said the cancellation fee would be applied which he didn't want to pay. He raised a complaint informing Dynamo that he wanted to cancel the policy but didn't want the fee deducted from his refund.

As such, Dynamo was on notice of Mr Z's instructions to cancel the policy regardless of whether he used the cancellation page. I'm mindful that had Dynamo handled Mr Z's complaint correctly, it would've had the opportunity to action these instructions whilst explaining to Mr Z that he would have to pay the fee. And this may have resulted in the refund being made at that time. It's Dynamo's inaction at this stage which has resulted in the missed opportunity to cancel the policy, rather than Mr Z's.

I haven't seen anything to suggest that Dynamo can only accept instructions to cancel a policy through the cancellation page. Rather, Dynamo has said it could take my instruction to cancel the policy – so I can't see any reason why they couldn't take Mr Z's instruction within his complaint instead of insisting he cancel the policy himself through a process that would deduct the cancellation fee that he was complaining about.

Furthermore, Dynamo is aware Mr Z no longer owns the car. So there is no insurable interest here, rendering the policy meaningless. This alone should've prompted Dynamo to take action to cancel the policy.

It's for these reasons that I remain of the opinion that Mr Z has been unfairly without his refund since March 2023. And Dynamo hasn't made reasonable attempts to get this to him during that time, leaving him without the funds he's entitled to.

My final decision

For the reasons I've explained, I uphold this complaint and direct Dynamo Cover Limited to pay Mr Z his pro-rata refund of £36.26 plus 8% simple interest per annum from 1 March 2023 to the date the refund is paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Z to accept or reject my decision before 19 January 2024.

Sheryl Sibley
Ombudsman