

The complaint

Mr K complains that Close Brothers Limited trading as Close Brothers Premium Finance (CB) requested payments after he cancelled his insurance policy in the cooling off period.

What happened

Mr K arranged an insurance policy via a broker, who I'll refer to as 'company M', in early 2023, and arranged to pay for the policy by way of a running account credit agreement that was financed with CB.

CB received the instruction from company M to finance Mr K's policy in early February 2023, and the first payment was due to be collected on 20 February 2023.

Mr K said he tried to contact company M on a number of occasions to cancel the policy inside the cooling off period but was unable to speak to anyone.

CB tried to collect Mr K's first payment on 20 February 2023, and when this failed, they wrote to him on 21 February 2023 to inform Mr K that the payment hadn't been made and to explain that they'd try to collect this again on 2 March 2023.

Mr K contacted CB on 22 February 2023 to complain, and explained that he'd cancelled the policy in the cooling off period with company M. CB said they hadn't received the notice of cancellation, and because the cooling off period had now ended, they were unable to cancel the agreement without instruction from company M.

CB reviewed Mr K's complaint and cancelled the agreement on 3 March 2023 without collecting any payments from Mr K.

CB sent Mr K their final response to his complaint on 9 March 2023. They said they weren't responsible for the administration of Mr K's insurance policy, and so wouldn't usually cancel the policy or agreement without authorisation from company M. However, on this occasion the agreement had been cancelled and nothing was owed to them. They said they'd sent Mr K's complaint on to company M, who should contact him to investigate.

Unhappy with this response, Mr K brought his complaint to this service for investigation. He said company M hadn't acknowledged his complaint, he didn't sign the finance agreement and so CB shouldn't have tried to collect funds, and he asked for compensation for the stress and anxiety caused.

Our investigator gave his view that CB had acted fairly by explaining their role in Mr K's insurance policy and ending the agreement when they did. He didn't think Mr K had been financially impacted as he'd made no payments to CB, and he didn't think CB were responsible for the frustration Mr K had experienced when trying to cancel the policy. So, he didn't ask CB to do anything more.

Mr K didn't agree. He said he and his wife spent hours trying to resolve the problem, and although no money was taken by CB, they did attempt this and sent threats via letters. Mr K said processes were not followed and this caused him and his family harm.

As an agreement can't be reached, the case has been passed to me for a decision.

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.

It's important to set out that my decision focuses on CB and their actions in relation to the credit agreement set up to fund Mr K's insurance premiums. It doesn't consider the actions of company M.

CB said that they received the instruction from company M to set up the agreement with Mr K to fund an insurance policy. I've seen the welcome letter and agreement that was sent to Mr K.

Mr K said that he cancelled the policy in the cooling off period, but he also didn't sign the agreement, so CB shouldn't have requested any payments from him. CB said they don't wait for the return of a signed agreement before collecting payments, because this can cause problems with the underlying insurance policy. CB said they didn't receive an instruction from company M to cancel the policy or agreement, and so they requested the first payment from Mr K in line with the terms of the agreement.

I'm satisfied that CB received the instruction to set up the agreement, and that they didn't receive an instruction from company M to cancel it.

I don't have the power to tell CB to change its processes around collection of payments without a signed agreement. But I don't think it was unfair for CB to attempt collection of the first due payment under the agreement. I say that because CB received no instruction to cancel the agreement prior to the payment becoming due, and so they had no reason to believe that Mr K didn't want the policy they had agreed to fund.

When the payment wasn't made and CB wrote to Mr K, he contacted them and told them about his attempts to cancel the policy. CB said they couldn't cancel the agreement without company M first requesting this, because the cooling off period had passed. Then, after investigation they made the decision to cancel the agreement, and no charge was made to Mr K.

I'm satisfied that CB acted fairly in cancelling the agreement in the circumstances, and that they did this in good time after being made aware of the problems Mr K was having in cancelling the policy.

I appreciate that Mr K feels strongly about the distress and inconvenience he's been put to in trying to cancel the policy, and in being asked for a payment. Overall, having considered all of the evidence, I'm satisfied that CB acted fairly by cancelling the agreement with nothing for Mr K to pay, and that they took this action in good time. So, I'm not asking them to do anything further in respect of Mr K's complaint.

If Mr K remains dissatisfied with the actions of company M, he may be able to ask this service to investigate that complaint.

My final decision

For the reasons outlined above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K and Mrs W to accept or reject my decision before 22 November 2023.

Zoe Merriman
Ombudsman