

## The complaint

Mr H has complained about the cancellation fee U Drive Cover Ltd charged when it cancelled his car insurance policy with the insurer.

## What happened

Mr H bought a car insurance policy through a broker U Drive to provide cover from March 2023. U Drive discovered that there were difference in the details of a previous incident Mr H had disclosed. And Mr H had said he had a number of No Claims Discount (NCD) years - but he was using this discount for another vehicle, so he couldn't use it for the policy with U Drive.

Because of these differences, the original insurer of the policy was no longer able to offer a policy for Mr H. So U Drive obtained a quote from another insurer for a replacement policy as this policy had to be cancelled. The quotes for a replacement policy was a much higher.

Mr H decided not to proceed with a replacement policy through U Drive. When U Drive arranged the cancellation of the policy, it charged a £75 cancellation fee which Mr H didn't think was fair. He raised a complaint. But U Drive didn't uphold it.

Our Investigator thought the complaint should be upheld. Although he could see U Drive had set out what it would charge on cancellation before Mr H applied for the policy, he thought it wasn't clear enough, or proportionate. So he recommended U Drive provide a refund of the £75 fee and pay interest from the date of cancellation to the date it refunds Mr H.

Mr H agreed with the Investigator's view. U Drive didn't agree.

I issued a provisional decision on 23 October 2023. I thought U Drive hadn't acted unreasonably in applying a cancellation fee.

Both parties have replied. U Drive accepted my provisional decision. Mr H didn't agree. I've addressed his comments in my findings below.

## 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.

I've looked at the question Mr H was asked when he applied for the policy in relation to his NCD on a comparison website. U Drive has provided a screenshot. It reads:

*"How many years of No Claims Discount (NCD) do you have?"*

Directly underneath the question, it reads:

*"You build NCD for each year you hold a policy in your name, without making a claim. It can only be used on one vehicle at a time and not all providers will accept NCD on a van or bike."*

I understand Mr H declared 18 years NCD when he applied for a policy through U Drive, which he was using under another vehicle. From the call recording provided, Mr H said he wasn't told he couldn't use his NCB. But I think clear information was provided online to help

Mr H answer this question correctly: that any NCD can only be used on one vehicle at a time.

In response to my provisional decision, Mr H says the NCD he had earned was under a multi discount policy so it was one person's discount being used for more than one vehicle. He said the website question didn't cover this.

Additional help notes attached to this question read:

*"If you are unsure whether your NCD is applicable, please check with your chosen provider before purchasing."*

In any event this doesn't change the fact that I think the question was clear and the onus is on Mr H to answer the question correctly when applying for a policy.

I think the agent Mr H spoke to when he was unhappy about the policy being cancelled could have been clearer about this. But it doesn't change the fact that the insurer of the policy could no longer offer cover based on the correct number of NCD years for Mr H. The policy was set up based on NCD information Mr H provided, which wasn't correct. U Drive has provided a screenshot to show that the insurer wasn't able to offer cover based on the correct NCD years Mr H held.

Where a cancellation occurs due to misrepresentation, we don't think it unfair for a broker to charge a reasonable cancellation fee to cover its administration costs, provided it set out its cancellation fees to a customer before buying a policy. A broker has made the arrangements to set up a policy through a panel of insurers, provided policy documents, dealt with any inconsistencies in the validation information provided, and looked for alternative cover before dealing with the cancellation.

In response to my provisional decision, Mr H says because the policy hadn't yet started, he hadn't received any policy documents and so he doesn't agree any work had been done by the broker. He says at this stage it was only a quote. But I don't agree. There have inevitably been overheads to arrange and administer the set up of the policy, to request validation documents and to discuss the policy with Mr H on the phone.

Mr H says the fees were hidden when he applied for the policy. And that he was unable to access the terms as the link provided wasn't working. But I think U Drive clearly set out its cancellation fees which Mr H agreed to before applying for the policy under its 'Terms and Conditions.' And before buying the policy, Mr H needed to agree to a number of statements including that he'd read the Terms and Conditions - and that he would be liable for a cancellation fee if any of the information he provided was incorrect which resulted in a policy being cancelled. If Mr H was unable to view key information before agreeing to buy the policy, I think this is something Mr H needed to make U Drive aware of if he had concerns before proceeding with the policy.

So in this case, I'm satisfied that as a broker, U Drive is entitled to charge its cancellation fee of £75. This means in line with my provisional decision, I'm not upholding Mr H's complaint.

### **My final decision**

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 H to accept or reject my decision before 22 November 2023.

Geraldine Newbold  
**Ombudsman**