

The complaint

Mr S complains about Fortegra Europe Insurance Company Ltd (“Fortegra”) dealt with his request to cancel his Tyre & Alloy Wheel Damage Cover policy.

What happened

Mr S purchased a tyre and alloy wheel damage policy when he brought his new car. The policy began on 31 March 2022 and was due to end in March 2025. The premium for the policy was around £600.

Mr S made a claim on the policy in May 2022 which was for approximately £20.

In November 2022 Mr S was selling his vehicle and so contacted Fortegra to cancel the policy. Mr S says Fortegra told him the policy would be terminated with no refund due since there had been a claim made in May 2022.

Mr S wasn't happy with this and so complained to Fortegra. It referred to the term in the which said pro rata refunds were only provided where no claims had been made during the term of the policy. And since Mr S had made a claim he wasn't entitled to a refund. So the complaint wasn't upheld.

Mr S wasn't happy with the response from Fortegra so referred his complaint to this service. Our investigator looked into things for him. She agreed Fortegra hadn't treated Mr S fairly. She didn't think it was fair for Fortegra to keep the full premium after paying one claim when there's no further risk to it. So she thought Fortegra should arrange a pro-rata refund of the policy less £35 to cover the costs incurred in cancelling the policy, plus £20 for the cost of the claim made.

Fortegra didn't agree. It said it acted within the terms of the policy and had it treated Mr S differently from the rest of the policyholders who want to cancel after the cancellation period, it would mean other customers would be put in an unequal situation. Because Fortegra didn't agree the complaint was passed to me for review.

My provisional decision

I recently issued a provisional decision setting out my thoughts on the key complaint points and how I thought matters might best be resolved. I said:

“I've considered all the available evidence to consider what is fair and reasonable in the circumstances of this complaint.

Having done so I'm upholding this complaint. I'll explain why.

Fortegra said the policy allows for it to be cancelled for a pro-rata refund after 30 days provided there hasn't been a successful claim made. But since Mr S had made a successful claim on the policy he wasn't entitled to a refund of the premium. And strictly speaking that's

correct, and so Fortegra has acted within the terms of the policy in not providing Mr S with a refund.

In line with my remit, I've also thought about whether it would be fair and reasonable for Fortegra to keep the whole premium, when the claim payment was a very small proportion of the total premium Mr S paid. Based on the circumstances of this case, I don't think it would. Mr S purchased the policy in March 2022, made a claim in May 2022 for approximately £20, and then tried to cancel the policy in November 2022 when he arranged to sell his car and so no longer had use for the policy. The policy was due to expire in March 2025. So Mr S had the benefit of the policy for eight months out of a total of 36."

I invited both parties to let me have any further comments they wished to make in response to my provisional conclusions.

Response to my provisional decision

Neither party has raised any additional points or queried my findings.

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 light of the fact that neither Mr S nor Fortegra had anything to add to the findings set out in my provisional decision (which I've reproduced here and which forms part of this final decision), I'm satisfied it represents an appropriate way to resolve the dispute. For the reasons I've set out above, I'm upholding Mr S's complaint.

Putting things right

I think it's fair and reasonable for Fortegra to retain enough premium to cover the claim, plus the administration fee which it says was £35.

Fortegra should refund the premiums pro rata to Mr S from the date he cancelled the policy (or if he hasn't been able to cancel, from the date he told Fortegra he wanted to cancel). It should pay interest on the remaining amount at 8% a year simple from the date Mr S cancelled his policy (or tried to) to the date Fortegra refunds the premiums.

My final decision

For the reasons explained above I'm upholding this complaint and direct Fortegra Europe Insurance Company Ltd to do what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 8 August 2023.

Kiran Clair
Ombudsman