

## **The complaint**

Mr M complains that Premium Choice Ltd unfairly charged him when he cancelled his car insurance policy within the 14-day cooling off period.

## **What happened**

Mr M bought car insurance through Premium Choice in early May 2023. He says he tried to contact Premium Choice on several occasions shortly afterwards because he wasn't sure if he'd be covered while driving in Europe. As he couldn't get through, he told them a few days later that he wanted to cancel his policy. Premium Choice cancelled his policy about five days later and asked him to pay fees and charges amounting to about £90. They sent a final reminder to Mr M in June 2023 and then passed the matter to debt collection agents, who contacted Mr M in July 2023.

Mr M complained to Premium Choice. He said he and his wife had been upset when they'd received the letter from the debt collection agents. And the Financial Conduct Authority (FCA) had told him Premium Choice shouldn't charge him anything as he cancelled his policy during the 14-day cooling off period.

Premium Choice didn't think they'd done anything wrong and explained why and how they'd applied the charges they were seeking to collect. They said they'd decided, as a gesture of goodwill, to waive their administration fee of £50. This left an amount of about £40 to be collected, which was the minimum amount the insurers charged for the time Mr M had been covered. Mr M wasn't satisfied so pursued his complaint with this service.

Our investigator didn't think Premium Choice had acted unfairly. She thought they'd made their charges sufficiently clear before Mr M had bought the policy. And noted that the Insurance Code of Business Sourcebook (ICOBS) said that fees could be charged during the cooling off period as long as they were proportionate to the service provided. She said that Premium Choice had waived its fee and if Mr M wanted to pursue the insurer's charge, he'd need to complain to the insurer. She said she'd be happy to help him do that.

As Mr M didn't agree with our investigator's view, his complaint has been passed to me for a final decision. He thought Premium Choice had breached the contract between them as they hadn't provided any service to him and so shouldn't be entitled to charge any fees. He wants a full refund.

## **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.

Having done so I've decided not to uphold Mr M's complaint. I know he'll be disappointed with my decision, so let me explain why I think it's fair.

As our investigator explained, ICOBS sets out how businesses are expected to interact with consumers. As Mr M has pointed out, a consumer has the right to cancel certain insurance

policies without penalty and without giving a reason within 14 days of taking the policy out. But the rules go on to say that, if a consumer chooses to cancel in this way, they can be charged:

- A proportionate premium for the time the policy was in force; and
- An administration fee that's proportionate to the service provided, with no element of profit.

The rules also say a business can only charge an administration fee (which includes a cancellation fee) if it can show a consumer was duly informed about the amount payable before they took out the policy.

Premium Choice has said Mr M got a quote for his car insurance with them via a price comparison website. They said their Terms of Business Agreement and the insurer's Policy Wording document were both available online prior to purchase. And Mr M had to click to confirm he'd read and agreed to the Terms of Business Agreement before buying the policy. Looking at both of those documents, they set out what charges would apply if Mr M cancelled his policy in the 14-day cooling off period. So, I'm satisfied it was reasonable for him to have known what would happen if he did that.

Mr M says Premium Choice didn't provide a service to him so he doesn't think they should be entitled to a fee. But Premium Choice has said it does incur costs when an insurance policy is bought and when it's cancelled. It said this includes administration, staffing and system costs, as well as communicating with the customer and the insurer about the cancellation of the policy. I think that's fair and in line with ICOBS.

Mr M says he was told by the FCA that Premium Choice couldn't charge him for any services in the 14-day cooling off period. I wasn't privy to those conversations so I can't comment on what was said. But, based on the evidence I've seen, I'm satisfied it was fair and reasonable for Premium Choice to charge Mr M a fee even though he cancelled within the 14-day cooling off period.

In any event, Premium Choice have waived their £50 cancellation fee as a gesture of goodwill. So, Mr M no longer has to pay that amount.

The remaining amount of about £40 is the insurer's fee for the time Mr M was covered under the terms of the policy he'd paid for. I recognise this was only a few days, but Premium Choice has confirmed the insurer would have covered him had he needed to make a claim in that period. So, it only seems fair that Mr M should pay an amount for that service. As I've noted above, ICOBS says businesses can charge a proportionate premium for the time the policy was in force, even when the policy is cancelled within the 14-day cooling off period.

Like our investigator, I can't comment on whether the insurer's premium was proportionate for the time the policy was in force. Our investigator has offered to help Mr M pursue a complaint against the insurer if he so wishes. What I can say is that the fee charged by the insurer was highlighted in the policy documents shared with Mr M before he took out the policy. They said he would be entitled to a pro-rata refund of his premium if he decided to cancel within 14 days of receiving the policy, subject to a minimum premium of £35 (plus Insurance Premium Tax). As this was a minimum charge, the amount wouldn't have been any different had Premium Choice cancelled his policy on the date he emailed them rather than the date they contacted him.

In summary, I don't think Premium Choice has treated Mr M unfairly. They were entitled to charge him an administration fee when he decided to cancel the policy within the 14-day cooling off period.

**My final decision**

It's my final decision that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 10 January 2024.

Richard Walker  
**Ombudsman**