

**Conduct of Business Sourcebook**

# Chapter 15

## Cancellation

## 15.4 Effects of cancellation

### Termination of contract

- 15.4.1 **R** By exercising a right to cancel, the *consumer* withdraws from the contract and the contract is terminated.

### Payment for the service provided before cancellation

- 15.4.2 **R**
- (1) This *rule* applies in relation to a *distance contract* that is not a *life policy, personal pension scheme, cash deposit ISA, cash-only lifetime ISA or CTF*.
  - (2) When the *consumer* exercises their right to cancel they may be required to pay, without any undue delay, for the service actually provided by the *firm* in accordance with the contract. The performance of the contract may only begin after the *consumer* has given their approval. The amount payable must not:
    - (a) exceed an amount which is in proportion to the extent of the service already provided in comparison with the full coverage of the contract; and
    - (b) in any case be such that it could be construed as a penalty.
  - (3) The *firm* may not require the *consumer* to pay any amount on the basis of this *rule* unless it can prove that the *consumer* was duly informed about the amount payable, in conformity with the distance marketing disclosure rules. However, in no case may the *firm* require such payment if it has commenced the performance of the contract before the expiry of the cancellation period without the *consumer's* prior request.

[Note: article 7(1), (2) and (3) of the *Distance Marketing Directive*]

### Shortfall

- 15.4.3 **R**
- (1) The *firm* may require the *consumer* to pay for any loss under a contract caused by market movements that the *firm* would reasonably incur in cancelling it. The period for calculating the loss shall end on the day on which the *firm* receives the notification of cancellation.
  - (2) This *rule*:
    - (a) does not apply for a *distance contract* or for a contract established on a regular or recurring premium or payment basis; and

(b) only applies if the *firm* has complied with its obligations to disclose information concerning the right to cancel.

**Obligations on cancellation**

**15.4.4** **R** The *firm* must, without any undue delay and no later than within 30 calendar days, return to the *consumer* any sums it has received from him in accordance with the contract, except for any amount that the *consumer* may be required to pay under this section. This period shall begin from the day on which the *firm* receives the notification of cancellation.

[Note: article 7(4) of the *Distance Marketing Directive*]

**15.4.5** **R** The *firm* is entitled to receive from the *consumer* any sums and/or property he has received from the *firm* without any undue delay and no later than within 30 calendar days. This period shall begin from the day on which the *consumer* dispatches the notification of cancellation.

[Note: article 7(5) of the *Distance Marketing Directive*]

**15.4.6** **R** Any sums payable under this section on cancellation of a contract are owed as simple contract debts and may be set off against each other.