

Insurance: Conduct of Business

Chapter 7

Cancellation

7.1 The right to cancel

The right to cancel

7.1.1

R

A consumer has a right to cancel, without penalty and without giving any reason, within:

- (1) 30 days for a *contract of insurance* which is, or has elements of, a *pure protection contract* or *payment protection contract*; or
- (2) 14 days for any other *contract of insurance* or *distance contract*.

[Note: article 6(1) of the *Distance Marketing Directive* in relation to a *distance contract* and article 186 of the *Solvency II Directive* in relation to a *pure protection contract*]

7.1.2

G

A firm may provide longer or additional cancellation rights voluntarily, but if it does these should be on terms at least as favourable to the consumer as those in this chapter, unless the differences are clearly explained.

Exceptions to the right to cancel

7.1.3

R

The right to cancel does not apply to:

- (1) a travel and baggage *policy* or similar short-term *policy* of less than one *month's* duration;
- (2) a *policy* the performance of which has been fully completed by both parties at the *consumer's* express request before the *consumer* exercises his right to cancel;
- (3) a *pure protection contract* of six *months'* duration or less which is not a *distance contract*;
- (4) a *pure protection contract* effected by the trustees of an *occupational pension scheme*, an employer or a *partnership* to secure benefits for the *employees* or the *partners* in the *partnership*;
- (5) a *general insurance contract* which is neither a *distance contract* nor a *payment protection contract*, sold by an intermediary who is an *unauthorised person* (other than an *appointed representative*); and
- (6) a *connected contract* which is not a *distance contract*.

[Note: articles 6(2)(b) and (c) of the *Distance Marketing Directive* and article 186(2) of the *Solvency II Directive*]

7.1.4 **G** A 'similar short-term *policy*' is any *policy* where the event or activity being insured is less than one *month's* duration. 'Duration' refers to the period of cover rather than the period of the contract.

Start of the cancellation period

7.1.5 **R** The cancellation period begins either:

- (1) from the day of the conclusion of the contract, except in respect of a *pure protection contract* where the time limit begins when the *customer* is informed that the contract has been concluded; or
- (2) from the day on which the *consumer* receives the contractual terms and conditions and any other pre-contractual information required under this sourcebook, if that is later than the date referred to above.

[**Note:** article 186(1) of the *Solvency II Directive* and article 6(1) of the *Distance Marketing Directive*]

Exercising a right to cancel

7.1.6 **R** If a *consumer* exercises the right to cancel he must, before the expiry of the relevant deadline, notify this following the practical instructions given to him. The deadline shall be deemed to have been observed if the notification, if on paper or another *durable medium*, is dispatched before the deadline expires.

[**Note:** article 6(1) and (6) of the *Distance Marketing Directive*]