

The complaint

Mrs A took out a motor insurance policy provided by Tesco Underwriting Limited in 2021. She's represented by her husband, Mr A, who says Tesco misled her in relation to a hire car.

What happened

Mrs A's car was damaged whilst it was parked and unattended. Another driver accepted liability. Mr A reported the accident to Tesco on 27 April 2021. He thought the damage to the car meant it would be written off – and Tesco agreed. On the same day, Tesco told Mr A that the policy's £600 policy excess had been waived and that Mrs A's no claims discount would remain intact. Tesco also said that Mrs A may be able to get a replacement car on hire from 'firm B' and that firm B would be in contact about that shortly.

Tesco paid Mrs A for the total loss of her car on 17 May 2021, shortly after Mr A provided the documents it required. In the meantime, Mr A had initially declined the hire car from firm B, but later he changed his mind and it supplied a car on 11 May 2021.

Mr A complained to firm B on 15 May 2021 that the hire car had a flat tyre. The tyre had to be replaced, and firm B charged Mr A £150, which it said was in line with the hire contract's terms and conditions. On 17 May 2021 Mr A complained to Tesco. He thought it had sold the insurance policy to Mrs A with benefits, including car hire. But as it hadn't made it clear what the consequences of having a hire car might be, he thought the policy was misleading, and that Tesco was responsible for the situation. Tesco said car hire wasn't a policy benefit, and its resolution to Mrs A's complaint to it was to refer the issue to firm B.

One of our investigators reviewed Mrs A's complaint. He didn't think Tesco had explained the referral process properly in the calls between its advisors and Mr A in which hire was mentioned. He thought had Tesco explained clearly that hire was separate from the insurance policy, Mr A would still have accepted the referral. But the investigator thought by not explaining the process fully, Tesco had caused Mrs A distress and inconvenience. He thought it should pay her £100 compensation.

In response, Tesco said its advisor had told Mr A that firm B would go through all the details of firm B's hire agreement with him. It said Mr A had declined hire at first, due to its potential costs, but had then accepted it. It also said that in a later claim, Mr A had asked for a referral to firm B. It thought Mr A was aware of the hire terms and conditions with firm B. Mr A still thought Tesco had misled Mrs A and that the hire contract was Tesco's responsibility.

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.

The only cover provided in Tesco's policy for an alternative vehicle is for a courtesy car from one of its approved repairers. But that only applies if repairs are carried out on a damaged car. As Mrs A's car was a total loss, a courtesy car was never an option. The policy didn't

offer the option of a hire car, and when the policy was sold to Mrs A, it wasn't shown anywhere in the documents. I don't think the policy was misleading on this issue.

In a total loss situation, when a damaged car isn't safe to drive (as in this case) a consumer will be left without transport until the total loss payment is made and another car is bought (or the damaged car can be put back on the road, using the total loss payment). Most consumers rely on their car for transport, so insurers sometimes (if the claim is non-fault) refer them to other firms so they can arrange hire (and repairs, if appropriate) outside the insurance policy. The external firms recoup their outlay from the other driver's insurer.

We think insurers should make it clear to consumers that external firms will offer their own contracts for car hire, based on their own terms and conditions – which a consumer doesn't have to accept - *and* that the insurer won't be liable for any problems arising from the hire arrangement. One of Tesco's advisors told Mr A that firm B would go through all the details of the hire with him, but I think she should have been far more specific. So I have to consider whether I think Mr A would have agreed to the referral had he known all the facts.

In my opinion, it's likely he would have done so, given that the alternative would have meant Mrs A was without a car for an open-ended amount of time. Mr A was trying to get a V5 registration document from the DVLA – which was proving to be difficult. At one point the DVLA said it wouldn't process the document until 25 May 2021. In the end, Tesco accepted alternative proof from Mr A, but meanwhile, the total loss payment was on hold. When hire was offered as an option, Mr A couldn't be sure when that would change.

There are notes on Tesco's file showing that firm B told Tesco Mr A had refused hire initially because he was concerned that costs arising from it may be charged to Mrs A. So it looks as though firm B must have explained at the start at least some of the circumstances in which she – and not the other driver's insurer – would be liable for costs. Firm B also told Tesco that its terms and conditions were available before the contract for hire was signed. If Mr A thinks firm B didn't explain its terms fully to him, that's a matter for firm B to address.

I don't think Mr A can show that Tesco is responsible for any loss Mrs A faced as a result of the hire agreement with firm B. It was separate from Tesco's insurance policy – and I think it's far more likely than not that Mr A would still have agreed to the referral to firm B had Tesco explained it properly in the first place.

I don't agree with Mr A that Tesco should refund the policy premium, as Mr A has proposed, but I think its poor service around the referral caused Mrs A a moderate amount of distress and inconvenience. That created some confusion and upset about how it worked and led to queries and complaints being made. Mrs A no doubt spent time and effort alongside Mr A in putting together the complaint they made to Tesco - which may have been avoided had all the details of the referral been clear from the start.

Tesco didn't offer an apology to Mrs A - and Mr A didn't ask for one when he complained to us. Although our investigator thought initially that an apology should be made, later on he proposed a sum in compensation as the best remedy. I agree that it would be appropriate, as well as fair and reasonable, for Tesco to pay Mrs A £100 compensation.

My final decision

My final decision is that I uphold this complaint in part. I require Tesco Underwriting Limited to pay Mrs A £100 compensation for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 23 February 2022.

Susan Ewins

Ombudsman