

The complaint

Mr and Mrs T complained that Tesco Underwriting Limited unfairly cancelled their home insurance policy.

What happened

Mr and Mrs T had a home insurance policy with Tesco, which they took out in January 2021. In May 2021, Mr and Mrs T were told by the local water company that their and their neighbours sewage pipes were miss connected and needed to be rectified – at the property owners expense. The water company suggested Mr and Mrs T might be able to claim for this on their home insurance policy.

So, Mr and Mrs T contacted Tesco to discuss this. Tesco felt this was a long-standing issue that Mr and Mrs T weren't concerned with remedying. They said this meant damage could arise and if Mr and Mrs T weren't going to take preventative action, they weren't prepared to insure them anymore.

Tesco cancelled Mr and Mrs T's policy.

Mr and Mrs T weren't happy with that, they said while there had been some minor issues causing a smell, there was no damage and they'd only been told about the miss connection work being required in May 2021. Mr and Mrs T said the policy cancellation and outstanding work required was making it difficult for them to obtain insurance elsewhere. They said this caused them a lot of worry.

Tesco maintained that the policy cancellation was fair, so Mr and Mrs T brought their complaint to our service.

An investigator here looked into the matter. They agreed that the policy cancellation was unfair, asking Tesco to reinstate the policy and consider the claim. The investigator also said Tesco should pay £100 compensation and remove any record of cancellation.

Tesco eventually said they would be happy to reinstate the policy but that they didn't think the claim would have been covered. This was because while Mr and Mrs T might have only become aware of the issue of miss connection in May 2021, it was felt to have been a long-standing issue that would've been present before the policy started in January 2021.

Agreement couldn't be reached so the matter has been passed to me to decide.

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.

It isn't my intention to revisit all of the arguments that have gone before, bearing in mind the main issue of complaint – the policy cancellation – has effectively been resolved by Tesco's agreement to reinstate it. Although I will say that if Tesco hadn't agreed to do so, I'd be

requiring them to. That's because Mr and Mrs T didn't say they weren't interested in having the work done. Indeed they have told us recently that it has been completed, at considerable expense.

I appreciate that the reinstatement is of little effect, given that the policy would naturally have come to an end by now. In view of this I don't think it would be reasonable for Tesco to charge for the term that would've remained. But what it means is that Mr and Mrs T will no longer have to tell insurers that they've had a policy cancelled. That should make it easier for them to find competitively priced policies in future.

I agree with Tesco that the expense in dealing with the miss connection wouldn't be covered by the policy, on account of the fact that it seems most likely the issue pre-dated the policy inception – even though it was discovered later. In these particular circumstances, I don't think it would be reasonable for me to require Tesco to cover the cost of something that pre-dated the provision of their policy.

Turning to compensation, I agree that this should be paid to Mr and Mrs T. They have explained that the matter meant they were unable to find replacement cover, and but for Tesco's cancellation of the policy this wouldn't have been required.

Mr and Mrs T said they were extremely worried they'd incur a loss whilst uninsured. And that this affected their sleep, their appetites and their behaviour, as they felt unable to leave their property independently of each other – in case something happened.

In view of this I think a reasonable amount of compensation would be £250.

My final decision

It is my final decision that I uphold this complaint. I require Tesco Underwriting Limited to pay Mr and Mrs T £250 compensation, and to remove any record of the cancellation of their policy from internal and external records.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T and Mr T to accept or reject my decision before 24 March 2022.

Will Weston
Ombudsman