

## **The complaint**

Mr T complains that Sainsbury's Bank Plc (Sainsbury's), acting as policy administrator, failed to tell him his motor insurance policy had been cancelled resulting in a fine, penalty points and further costs when his car was impounded.

## **What happened**

Mr T says in November 2021 he was pulled over by the police for driving without insurance. His car was impounded, and he received points on his licence. He complained to Sainsbury's as he had paid his premium a few days prior to being pulled over. Mr T says it agreed it had made a mistake and paid him £270 for the impound fee and £100 compensation.

Mr T says he incurred additional costs for impound insurance and £60 to set up another insurance policy. He says this meant he had to borrow money from his family to pay the fees, and also pay for presents for his daughter over Christmas.

In its response to Mr T's complaint in December 2021 Sainsbury's says the policy was cancelled on the day he called to pay his outstanding premium. It accepts the agent he spoke to didn't tell him about this. It says that it arranged for an indemnity letter from the insurer for the period from 1 November to 10 November. Sainsbury's also offered Mr T £100 compensation.

Mr T wasn't satisfied. He didn't think this did enough to compensate for the problems he'd experienced. Sainsbury's wrote to Mr T again in February 2022. It says there was no error with the cancellation as its letters confirmed payment must be paid by 1 November 2021. But in recognition of its agent's omission to confirm the cancellation, it offered to pay £270 for the costs Mr T had incurred, in addition to its offer of £100 compensation.

Mr T didn't accept Sainsbury's offer and referred his complaint to our service. Our investigator upheld his complaint. He says the business had written to Mr T, twice prior to the policy cancellation. So, he didn't think it had acted unfairly. He thought it was fair that Sainsbury's paid for the vehicle towing and storage costs but didn't think its offer of compensation was enough.

Our investigator says the indemnity letter wasn't supplied until around eight weeks after Mr T was pulled over by the police. And the refund of fees wasn't agreed until several months after that. He accepted Mr T had been caused stress and upset and that he had been left short of money over the Christmas period, meaning he had to borrow money to buy his daughter presents. Because of this he thought £500 compensation was appropriate.

Mr T agreed, but Sainsbury's thought its original offer was fair and asked for an ombudsman to review the complaint.

It has been passed to me to decide.

I issued a provisional decision in September 2022 explaining that I was intending to uphold Mr T's complaint. Here's what I said:

*provisional findings*

*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 to uphold Mr T's complaint. Let me explain.*

*Sainsbury's has provided copies of the letters it sent to Mr T in October 2021. I've read these letters to understand what he was told. The first explains that his Direct Debit payment was rejected. It says a further attempt to collect the monies will be tried in five days. Alternatively, it says Mr T can pay by phone. The letter says if the next collection isn't successful, and it hasn't heard from him, it will begin the process of cancelling his policy.*

*The letter says:*

*"If you have not paid the outstanding amount by the 2nd November 2021 both your credit agreement and insurance policy will end on that date."*

*The second letter dated 20 October 2021 says the second attempt to collect payment had failed and a total payment of £95.10 is owed. The letter says:*

*"To keep your policy in force, you will need to bring your payments up to date before the 1st November 2021 or your car insurance will be cancelled by us."*

*The dates on which cancellation of the policy will be carried out differs between these two letters. The first says payment must be made by 2 November 2021. Whilst, the second says payment must be provided before 1 November.*

*I can see that Mr T called Sainsbury's on 1 November 2021. I've listened to this call. Mr T asks to pay his insurance premium, and says he has until tomorrow to do this. It appears he is referring to the date advised in the earlier of the two letters he received. The agent makes no attempt to correct Mr T's understanding and takes the payment. Mr T then asks about updating his mobile number so he can pay online in future. The agent struggles to do this and asks for Mr T's phone number so he can call him back. The call is then ended.*

*During this call there is no mention by Sainsbury's agent that the policy has already been cancelled. Mr T mentions paying his insurance so he can drive his car and clearly states he has until tomorrow to pay his monthly premium. Having listened carefully to this call I can understand why Mr T thought he was still insured having made this payment. I think it's reasonable to expect Sainsbury's agent to have told Mr T that his policy had already been cancelled. It's not clear why this didn't happen given the significance of this information and the discussion that took place.*

*I acknowledge the second letter Mr T received in October 2021 says that payment must be made before 1 November 2021. But this isn't what the first letter said. It appears Mr T either didn't notice the different date or didn't read the second letter prior to contacting Sainsbury's. But I would still expect the significant point that the policy had been cancelled, to be mentioned to him during the call.*

*Mr T should've read and acted on the later letter, which makes it clear the policy will cancel on 1 November 2021, and payment must be provided prior to this. So, I don't think Sainsbury's acted unfairly by relying on its policy terms and cancelling his policy. But I do*

*think its agent's failure to tell him about the cancellation during the call, indicated to Mr T that he was insured to drive. This call lasted eleven minutes and there was plenty of opportunity for the agent to inform Mr T that he was no longer insured. A few days after the call he was pulled over by the police for driving without insurance. I think this was avoidable.*

*Sainsbury's arranged for an indemnity letter to be provided by Mr T's insurer. My understanding is that this allowed him to demonstrate he had insurance cover in place and meant he avoided penalty points and a fine.*

*However, Mr T says he had to pay for temporary insurance cover whilst his car was impounded and in order to have it released. He says this is something that was recommended to him by the police. I've seen the documentation Mr T supplied, which shows he paid £360 for this temporary cover. I acknowledge that as Mr T had no insurance cover, he needed this in order to insure and retrieve his car.*

*Having considered all this, I think Sainsbury's is responsible for Mr T's car being impounded. This caused him to incur towing and storage costs, in addition to the cost of temporary insurance. Sainsbury's has refunded the towing and storage costs, which I think is fair. But to fully compensate Mr T for his financial loss it's reasonable that it also covers the cost of the temporary insurance.*

*I've also thought about the impact all of this had on Mr T. Had Sainsbury's agent acted reasonably and told Mr T that his policy was cancelled, he wouldn't have been pulled over by the police or had to attend court with the trouble and upset this caused. In addition, he lost the use of his car and had the stress of having it released and getting temporary insurance cover in place. I have no reason to doubt Mr T's account that he was left short of money, given the costs incurred. And that this meant getting a loan from his family, to buy Christmas presents for his daughter. I think £500 compensation in total is fair to acknowledge these issues.*

*I don't think Sainsbury's is responsible for the setup costs for Mr T's new insurance. His policy was cancelled in line with his policy terms. Any costs incurred in setting up a new policy are for him to pay.*

*In summary I don't think Sainsbury's treated Mr T fairly. Its agent should've told him his policy was cancelled during the call. As a result, it should put him back in the position he was in prior to the police pulling him over. This means paying the cost of his temporary insurance and paying £500 compensation for the distress and inconvenience it caused.*

I said I was intending to uphold Mr T's complaint. Sainsbury's Bank Plc should:

- pay Mr T £360 to cover the cost of his temporary insurance; and
- pay Mr T £500 compensation for the upset, stress, and inconvenience he was caused.

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

Mr T responded to say he accepted my provisional decision.

Sainsbury's also responded to say that it didn't have any further points to add.

### **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.

As neither party has made any further submissions or provided further evidence for me to consider, I see no reason to change my provisional findings.

So, my final decision is the same as my provisional decision and for the same reasons.

### **My final decision**

For the reasons I've given above and in my provisional decision, my final decision is that I uphold Mr T's complaint. Sainsbury's Insurance Plc should:

- pay Mr T £360 to cover the cost of his temporary insurance; and
- pay Mr T £500 compensation for the upset, stress, and inconvenience he was caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 6 December 2022.

Mike Waldron  
**Ombudsman**