

The complaint

Mr F complains that Tesco Underwriting Limited (“Tesco”) cancelled his home insurance policy without any notification.

What happened

Mr F bought an engagement ring and then called Tesco to include this as a specified item on his policy. Mr F says Tesco then cancelled his policy without giving him any notice. Mr F says he was abroad at the time and had to spend time looking for alternative cover. Mr F says this was supposed to be a memorable trip as he was due to propose to his partner. Mr F complained and Tesco responded and explained they made a decision to cancel Mr F’s policy as the engagement ring exceeded the policy limit. They said Mr F then called and increased his contents cover to ensure he would be covered within his home and new documents were issued to him. Tesco said Mr F made further calls, but they didn’t mention anything about the impending cancellation of the policy. Tesco said, they’d reviewed the matter and feel the policy shouldn’t have been cancelled and instead an underwriting referral should’ve been made explaining Mr F had increased the cover and ask for the cancellation to be reconsidered. Tesco apologised and offered £250 compensation.

Our investigator looked into things for Mr F. He agreed Tesco had made an error and recommended they increase the compensation to £400 and amend any database showing this policy has been cancelled by Tesco. Mr F agreed but Tesco disagreed with the recommended compensation, so the matter has come to me for a decision.

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.

Having done so, I’ve decided to uphold the complaint. And, I think the investigator’s recommendation here is a fair way to resolve matters.

Firstly, I’ve looked at the service given to Mr F. My role requires me to say how a complaint should be settled quickly and with minimal formality and so I’ll focus on what I consider to be the crux of the complaint and the main areas of dispute. The key facts about the complaint aren’t in dispute. Tesco have admitted they got things wrong in providing incorrect information to Mr F about the cancellation of his policy. The only issue I have to decide is whether their offer to put things right is fair and reasonable.

I think it’s right that Tesco should compensate Mr F for the shock, worry and inconvenience caused by their poor service. To help decide what a fair and reasonable level of compensation should be, I’ve looked at the error by Tesco and what the impact of that error has been.

In their final complaint response, Tesco accept the policy shouldn’t have been cancelled – they believe a new referral should’ve been sent to them as underwriter explaining Mr F had increased the cover. They also acknowledge, even though a cancellation notice was sent,

after this point and during a call with an agent, Mr F was informed Tesco would leave the policy as it is and asked Mr F to call back if he wished to cancel.

Based on the information I've seen, and Tesco's admissions, I think the cancellation caused Mr F shock, worry and inconvenience. I acknowledge Tesco say a review should've taken place after Mr F increased his contents cover, but I can't say what the outcome of this would've been. It might well be the case that Tesco might've felt a cancellation was still appropriate given that Mr F had made them aware of an item which exceeded the policy limit. But, it's the fact that, after increasing the contents cover, the agent led Mr F to believe his policy would remain as it is and he would need to call to cancel. It's this error which, I believe, has caused a significant impact.

Mr F explains his policy was cancelled while he was abroad, and this led to him having to spend time looking for alternative cover. He says a family member had to sit at his home until Mr F was able to find cover. I acknowledge Mr F was caused shock when he found out the insurance had been cancelled and was very worried at the thought his home wasn't insured. He was also caused inconvenience in having to find alternative cover – and given this was something which was completely unexpected, Mr F had to take time out of his trip abroad to arrange alternative cover. Mr F was able to find alternative cover so, while the impact of Tesco's error was limited in duration, it did have a significant impact on him until he was able to find alternative and suitable cover. Up until this point, Mr F was clearly, and understandably, very worried his home wasn't insured.

I acknowledge Tesco's points and why they believe £250 is a reasonable level of compensation. They say this was a single mistake and it took Mr F a reasonable amount of effort to sort this as he was required to call them and obtain alternative home insurance. Tesco's believe the impact here reflects the guidance on our service's website for awards up to £300. I agree with Tesco's point about there being an error here - with the impact lasting a few days. But, there's two points here which I believe are important to take into account and which justify an award higher than the £250 being offered. Firstly, there's the initial shock to Mr F when he found out his insurance had been cancelled. It's clear from Mr F's testimony this news was completely unexpected – and I agree that was the case given the last conversation Mr F had with Tesco. I believe this caused considerable shock given that Mr F was assured his cover would remain as it is. Secondly, there's the specific worry Mr F had – which is that he was left with no home insurance. I think this would likely cause anyone significant worry and, in Mr F's case, he was abroad, so he had to arrange for a family member to stay at his home until this was sorted. This clearly shows Mr F was very worried about the possibility of anything happening to his home or contents while uninsured.

So, taking into account the impact on Mr F, I think compensation of £400 is fair and reasonable in the circumstances. I wish to reassure Tesco that I've read and considered everything they've sent in, but if I haven't mentioned a particular point or piece of evidence, it isn't because I haven't seen it or thought about it. It's just that I don't feel I need to reference it to explain my decision. This isn't intended as a discourtesy and is a reflection of the informal nature of our service.

Putting things right

I've taken the view that Tesco have made an error which has had a significant impact on Mr F. So, in addition to the £250 already offered, they should increase their offer by £150 – bringing the total offered for this complaint to £400. Tesco should pay Mr F £400 for the significant shock, worry and inconvenience caused. Tesco also accept they shouldn't have cancelled Mr F's policy so they should update any internal or external databases to show Mr F hasn't had this policy cancelled by them.

My final decision

My final decision is that I uphold the complaint. Tesco Underwriting Limited must take the steps in accordance with what I've said under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 22 May 2023.

Paviter Dhaddy
Ombudsman