

The complaint

Mr J complains about how his insurer, Tesco Underwriting Limited (Tesco), covered his campervan under his motor insurance policy.

Any reference to Tesco in this decision includes their agents.

What happened

Mr J had a motor insurance policy covering his campervan, which he took out in February 2009. Tesco took over the business of the insurer providing cover in 2012. While Tesco didn't offer campervan insurance, they said they'd continue to provide cover for Mr J's campervan. And they also subsequently confirmed cover in writing in February 2014. Mr J also confirmed at each subsequent renewal Tesco would continue to cover his campervan.

When he phoned Tesco in February 2022 to confirm they would continue cover (for the year from February 2022) he was initially told Tesco didn't provide cover for campervans (and they'd been providing cover for the vehicle as a van, not a campervan). But as they'd issued a renewal document for the vehicle, they agreed to continue to provide cover (for a premium of £161.67 – compared to £450.88 for the year from February 2021).

Mr J then received a renewal notice dated January 2023 for the year from February 2023 (for a premium of £155.76). But a couple of weeks later he received a letter from Tesco saying they wouldn't renew his policy, which was due for renewal in ten days' time. Mr J contacted Tesco to query the letter but was told they weren't going to insure his campervan. Tesco provided a contact number for the British Insurance Brokers Association (BIBA). Mr J subsequently took out a new policy for his campervan, at an annual premium of £216.92.

Mr J was unhappy at what had happened and Tesco declining to provide cover for his campervan. So he complained to Tesco. Mr J subsequently noticed the usual direct debit for the policy premium hadn't been taken by Tesco, which he took to mean his policy had been cancelled. Tesco subsequently wrote to Mr J confirming cancellation of his policy.

Tesco then issued a final response to Mr J's complaint, which they upheld. They acknowledged they'd written to Mr J saying that (due to a change in their underwriting criteria which led them to decide not to insure any type of van) they wouldn't continue to provide cover for Mr J's campervan. However, when Mr J challenged this decision, Tesco accepted he'd been wrongly advised the underwriter wouldn't change their decision. But the underwriter subsequently (the day before the policy was due to renew) decided they would offer cover and the policy automatically renewed (at an annual premium of £155.76). However, Mr J wasn't aware of this before the policy renewed and had already taken out cover with another insurer, following his being wrongly told the underwriter wouldn't change their decision not to provide cover. Tesco also acknowledged Mr J contacted them at the beginning of March 2023 (when he noticed the direct debit hadn't been collected) and at that point (given Mr J had taken out cover elsewhere) the policy was cancelled. Because Mr J had been wrongly advised, Tesco apologised and awarded £50 in compensation.

Mr J then complained to this service. Given what had happened with the renewal of his policy in 2023, he wasn't sure whether he'd previously been properly insured by Tesco (as the indications were they'd classified his vehicle as a van, not a campervan, from February 2021 onwards). And the episode had been very stressful for him and his wife. He didn't think Tesco's award of compensation was sufficient in the circumstances.

Our investigator upheld the complaint, concluding Tesco hadn't acted fairly. He thought that as Tesco had decided (in 2012) not to offer campervan insurance cover, they'd then acted fairly in continuing to cover Mr J's campervan. However, when Mr J was told Tesco wouldn't be offering to continue cover from February 2023, he was then wrongly told the underwriter wouldn't be changing their decision not to offer cover. As a result, Mr J took out alternative cover, at a higher cost when Tesco then renewed the policy. So, Mr J suffered financial loss. While Mr J felt he hadn't been properly insured (as Tesco had recorded a different vehicle details) Tesco had recorded the vehicle in a way the underwriter would continue to cover. So, Mr J would have been covered for his campervan. And while the policy did renew, the first premium wasn't then taken until late March 2023 (not late February as Mr J had expected).

To put things right, the investigator thought Tesco should compensate Mr J for the financial loss he'd incurred from having to take out a policy elsewhere at a higher premium. They should reimburse the difference between the premium he'd paid for his new policy and the premium he would have paid had his policy with Tesco continued. But the investigator thought the £50 compensation awarded by Tesco was fair and reasonable.

Tesco disagreed with the investigator's view and requested an Ombudsman review the complaint. They said the policy hadn't been cancelled, it had been automatically renewed (at a premium of £155.65) and could have continued, had Mr J chosen to do so. While understanding Mr J didn't want to renew because of being provided with conflicting information, it was his decision to cancel his Tesco policy. When he could have kept it (and cancelled his new policy) so avoiding the higher premium. So, the decision to take out a new policy with another insurer was his, not because of any error by Tesco.

Also, Tesco couldn't be sure that Mr J's new policy contained the same cover and other conditions, so it wasn't possible to confirm the policies were on the same like-for-like basis. It could be his new policy included a higher level of cover (which might be reflected in the premium). So it was unreasonable to ask Tesco to cover the difference. While accepting Mr J took out a new policy by the time Tesco renewed their policy (and it would have been inconvenient for him to cancel the new policy and continue with the Tesco policy) this was reflected in the compensation awarded in their final response. So, it was unreasonable to ask Tesco to reimburse the difference between the two premiums.

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 key issue in Mr J's complaint is Tesco initially declining to renew his policy when it came up for renewal in February 2023. Mr J says Tesco had previously agreed to provide cover for his campervan, even though they'd generally decided not to insure campervans when they acquired the business of the previous insurer in 2012. And because he was told the decision not to renew his policy wouldn't be changed by the underwriter, he took out cover elsewhere (at a higher premium). Mr J also doesn't think the £50 compensation offered by Tesco is sufficient for the stress he's suffered.

Tesco accept they wrongly advised Mr J that the underwriters wouldn't change their decision. But the underwriter subsequently decided they would offer cover and the policy

automatically renewed. Tesco also say it was Mr J's decision to cancel the policy (having taken out cover elsewhere) and it would have been open to him to continue with their policy (and cancel the new policy). So, they don't think they should cover the additional premium he's paid for his new policy. They also say it's not possible to compare the two policies to ensure they are on a like-for-like basis.

I've considered both views carefully, together with the supporting information and evidence provided by Mr J and Tesco. Having done so, I'm more persuaded by Mr J view than by Tesco. I'll set out why I've come to that conclusion, and what I think Tesco should do to put things right.

First, I've noted while Tesco made a general decision not to cover campervans, they continued to provide cover for Mr J's vehicle from the point they took over the policy from the previous insurer (underwriter) in 2012. I've seen the renewal documents from that date and it's clear Mr J's vehicle was covered under the policy. I've also not seen any evidence Mr J made a claim during this period but based on what I've seen he would have been covered under the policy had he had occasion to do so.

Turning to the events at the time of the renewal of the policy in February 2023, Tesco did write to Mr J saying they wouldn't renew the policy. Ultimately, it's a commercial decision for Tesco as to what cover they are willing to provide, so I can't say their decision was unreasonable. Underwriting criteria and other policy terms are subject to periodic review and its for an insurer to determine what cover they are willing to provide (for which types of vehicle) and on what terms.

However, in the circumstances of this case, Mr J was clearly told (from the notes of the call and from what Tesco subsequently accepted in their final response) Tesco (as underwriter) wouldn't cover Mr J's campervan. And that the [underwriting] criteria had changed recently. Mr J expresses his frustration that, having provided cover for 14 years, Tesco will no longer cover his campervan. Mr J is told that while the issue has been referred to the underwriting team, they won't change their decision so Mr J will need to obtain cover elsewhere. Mr J asks about the reference to BIBA in the letter from Tesco saying they wouldn't continue cover for his campervan, and the call handler provides him with a contact number.

Given what he was told and with his renewal date approaching, I think it reasonable for Mr J to conclude Tesco wouldn't provide cover, wouldn't change their decision and that he should obtain cover elsewhere. Which is what he did. From details of his new policy, it appears he obtained a quote from a broker the same day as the call to Tesco, and he took out the policy a few days after that (and before Tesco said they would continue to provide cover).

Tesco say Mr J could have continued his policy with them and cancel his new policy (they say they would consider reimbursing him the £35 cancellation fee the new insurer would have charged). However, given what had happened, I don't think it unreasonable for Mr J to want to continue with his new policy, rather than revert to Tesco (it wouldn't have been unreasonable of him to think he might not be faced with a similar situation in the future).

On the point about whether the new policy was provided on the same like-for-like basis as his Tesco policy, the terms of the former appear like the latter – although the annual mileage under his new policy is higher than under the Tesco policy. So, I think it reasonable to think they are broadly comparable (although the higher annual mileage limit on his new policy would, all other things being equal, be likely to mean the premium would be higher).

But part of the new premium payable is a £35.54 arrangement fee and a £15 administration fee. While I haven't seen the terms of business for the broker or new insurer, it's likely neither would be refundable should Mr J have cancelled his new policy (and reverted to

Tesco). And he would also have had to pay a £35 cancellation fee (even if Tesco subsequently reimbursed it).

Tesco say it was Mr J's decision to cancel his policy with them, so they shouldn't be asked to reimburse the difference between the premium for his new policy and the premium for the Tesco policy. The cancellation letter from Tesco does indicate they are cancelling the policy 'as requested', which indicates it was Mr J's request. However, as I've concluded earlier, I don't think it was unreasonable for Mr J to want to continue with his new policy (and cancel the policy Tesco had renewed the day before it was due for renewal, after he'd been advised by them to take out cover elsewhere).

Taking all these factors into account, I've concluded Tesco didn't act fairly and reasonably towards Mr J.

Having reached this conclusion, I've considered what I think Tesco need to do to put things right. Looking at the premiums for the two policies, leaving aside the two administration and arrangement fees, the premiums are broadly comparable (allowing for the likely impact of the higher annual mileage limit for his new policy). So, I don't think Tesco should reimburse the net difference in premium. But I do think they should reimburse the fees Mr J incurred in taking out his new policy (£35.54 and £15 respectively). In reaching this conclusion, I've considered what Tesco have said about their willingness to reimburse the £35 fee Mr J would have had to pay to cancel his new policy and revert to the Tesco policy.

On the issue of compensation, Tesco say their offer of £50 compensation includes an element for the inconvenience of Mr J having to take out a new policy. Looking at the circumstances of the case, including what Mr J has told us about the stress from what happened, I think Mr J would have suffered distress and inconvenience – but not just from the inconvenience of having to take out a new policy. Taking account of all the circumstances of the case, I think £50 for distress and inconvenience would be reasonable.

My final decision

For the reasons set out above, my final decision is that I uphold Mr J's complaint. I require Tesco Underwriting Limited to:

- Reimburse Mr J the arrangement fee (£35.54) and administration fee (£15) incurred in taking out his new policy with another insurer.
- Pay Mr J £50 for distress and inconvenience.

Tesco Underwriting Limited must pay the compensation within 28 days of the date on which we tell them Mr J accepts my final decision. If they pay later than this they must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 26 October 2023.

Paul King
Ombudsman