

The complaint

Mr D complains that Tesco Finance PLC trading as Tesco Bank sent him letters charging an additional premium because they had incorrectly recorded a claim on his insurance record as “closed” and “fault” when it was “open”.

What happened

Mr D held a motor insurance policy with Tesco Bank.

In September 2022 Mr D was in an incident in which he said a third party car was responsible.

Mr D didn’t initially report it to Tesco Bank as he didn’t intend to make a claim. However, he was contacted by Tesco on 30 September because they had received a claim from the third party insurer. Mr D denied liability.

Tesco Bank told him to get his car repaired but Mr D declined unless the third party accepted responsibility first.

Mr D’s policy renewed at the end of September 2022, and then on 13 October he received a letter from Tesco Bank advising that he owed them £158.26 for additional premium which was due because of the open claim which occurred shortly prior to renewal.

Mr D rang Tesco Bank to challenge this and made a complaint as he didn’t accept he should pay any additional premium as he didn’t accept liability for the accident.

Mr D then received further reminders on 19 and 26 October 2023 about the premium and he was threatened with the policy being cancelled if he didn’t make payment .

Following his complaint, Tesco Bank said that the additional premium was correctly due because the claim was actually still open and would be due until liability was admitted by the third party insurer. However, they agreed to waive the additional premium of £158.26 to compensate Mr D as the claim should have still been recorded as open.

In March 2023 Tesco Bank rang Mr D to advise him that the third party had admitted liability in early February and asked him to withdraw his complaint. Mr D refused. Mr D was unhappy and so he brought his complaint to us.

After initially upholding this complaint, Tesco Bank provided further information and our investigator thought that Tesco Bank had acted fairly, and that their offer of compensation was reasonable.

Mr D disagreed with our investigator’s view, and so the case came to me to review. I issued a provisional decision on the complaint. My provisional findings were as follows:

What I have to decide is whether Tesco Bank have acted fairly and reasonably when dealing with Mr D and if they have made an error, what the impact of that error was.

Having thought about this, I'm upholding part of Mr D's complaint and I will explain why.

The increase in premiums

Although the claim was for an accident on 17 September, it wasn't logged on Mr D's record until after the new policy period had started, which was on 5 October. So the renewal premium that Mr D had been charged was lower than it should have been if an open claim had been on his record at the right time.

Mr D has said that the additional premium shouldn't have been due as he wasn't liable for the accident. However, it is standard industry practice for a claim to be recorded as open until liability is resolved, and during that time it will affect premiums. So I'm satisfied that Tesco Bank were entitled to ask for an additional premium once they had corrected their records to show that a claim was in progress.

However, things then became a little confused, because despite being entitled to charge the additional premium, when Tesco Bank recorded the claim, they logged it as a closed "fault" claim rather than an "open" claim. This was an error as claims should remain open until liability has been determined, and any costs recovered from the third party.

Tesco Bank then sent three letters to Mr D asking for the additional premium and threatening him with cancelling his policy if he didn't pay the additional premium. Mr D contacted Tesco Bank to query this and then raised a complaint.

Following the second letter about the additional premium, in a call to Tesco Bank on 27 October 2022, an advisor did explain to Mr D that his complaint was logged and that his policy wasn't going to be cancelled. He also explained that Tesco had disputed liability with the third party and that the claim would have to be recorded as open until the claim is settled and if the third party admitted fault the fault claim would then be removed and the additional premium would be reimbursed. So after that I think Mr D should have been reassured that his policy wasn't in jeopardy.

However, the incorrect recording and repeated letters about the premium cancellation caused Mr D some distress and frustration, and in their complaint response, Tesco Bank accepted that initially it wasn't properly explained to him why an additional premium was being charged, and so they agreed to waive the additional premium as compensation. And so I've thought about whether this is fair and reasonable compensation for the distress caused for the failure to communicate clearly.

Tesco Bank have told us that although the claim was incorrectly recorded on their system as closed and fault, Tesco underwriting, who calculate the premium, had it correctly recorded as open, and so the additional premium charged was the correct amount and was due. So I'm satisfied that the letters sent asking for the premium were correctly sent.

The distress caused was because of Tesco Bank's communication about the recording of the claim, and the failure to explain the process properly from the outset, as well as the incorrectly closed claim.

The investigator's view is that waiving the additional premium is sufficient compensation. However, as the third party has now admitted liability, and this additional premium would have had to be refunded to Mr D anyway, I don't think it would be fair to say this was compensation, and so I propose to award £100 for the distress and inconvenience caused by the delay in Tesco explaining the reason for the additional premium and the process properly. I appreciate that the confusion was distressing, but it was short term, with a proper

explanation being given on 27 October, and so I consider that £100 is sufficient compensation for this.

In the light of these findings, I therefore intended to uphold Mr D's complaint, and I invited the parties to comment.

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.

Both Tesco and Mr D have responded.

Mr D has accepted my decision but Tesco disagree. They say that they explained the position on 27 October and so there was no confusion. They also say that they consider that waiving the additional premium at the time was sufficient compensation. I have agreed that the information was clear from 27 October, and that is in my provisional decision. However, there was a period of uncertainty before this and Tesco missed earlier opportunities to make the position clear to Mr D, and it is for this distress and inconvenience that I consider it fair and reasonable to make award. I have already explained why I don't consider the waiving of the premium is compensation.

In light of the above, I'm making my final decision in line with my provisional findings.

Putting things right

To put things right I think that Tesco Bank should pay Mr D £100.

My final decision

My final decision is that I'm upholding Mr D's complaint and direct Tesco Personal Finance PLC trading as Tesco Bank to put things right as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 18 October 2023.

Joanne Ward
Ombudsman