

## The complaint

Miss B and her mother (also Miss B) complain that Sainsbury's Bank Plc cancelled their motor insurance policy in error, causing them great upset and financial loss. For clarity, I'll refer to Miss B's mother in this decision as Miss B2.

## What happened

Miss B paid for the policy in full in February 2023, with Miss B2 as a named driver on it. But on 2 May 2023 Sainsbury's issued a notice of cancellation with effect from 12 May 2023, due to the non-payment of a month's premium. Miss B says the letter didn't arrive until the weekend starting 12 May 2023. And as the death of a close family member happened that day, neither she nor Miss B2 noted the cancellation until 16 May 2023.

When Miss B called to query it, an advisor said Sainsbury's had made an error which led to the cancellation. Miss B said she'd been unable to use her car since the cancellation, as the quotes she got when declaring it were so high. She also said the few insurers willing to offer her cover weren't household names, so she was dubious about them. She said the situation had caused great distress, especially as Miss B2 was seriously ill and had had to attend medical appointments by public transport or taxi, which may have compromised her health.

In response to Miss B's complaint, Sainsbury's said it had found a number of failings on its part. It said when Miss B didn't provide proof of her no claims discount ('NCD') by 30 March 2023, it changed the record from three years to zero, which meant a rise in the premium of around £173, which it took from her card. The NCD proof arrived later the same day and led to a return premium. But due to an error, Sainsbury's thought there was an outstanding balance to pay – hence the cancellation notice. The error wasn't noted until 11 May 2023 and a letter was sent to Miss B, but it was too late for her to respond before the policy was cancelled. Sainsbury's offered to pay Miss C £150 for distress and inconvenience. It also said if she had to pay more for a similar policy, it would look at refunding the difference.

Miss B's main concern was that declaring the cancellation to future insurers would damage her reputation and lead to higher premiums for life. She didn't think that was fair, as she hadn't done anything to cause the cancellation. She pointed out that - given the death of her relative, plus Miss B2's illness (which started well before the cancellation and continued after it) they had both faced serious emotional damage, as well as extra transport costs. She said she wanted the policy reinstating and the cancellation record removed, plus compensation.

One of our investigators reviewed the complaint. She said if the policy couldn't be reinstated, the record shouldn't show that it was cancelled. So Sainsbury's should change it to show that Miss B cancelled the policy. She said consumers have a duty to limit their losses, and she thought Miss B could have found cover elsewhere, thereby greatly reducing the distress and inconvenience she and her mother had to face. She thought the pro-rata refund Sainsbury's issued on 17 May 2023 could have been used towards monthly payments on a more expensive new policy. And she noted that Sainsbury's had told Miss B on 27 June 2023 that it would look at refunding any extra sum she had to pay for a new policy. The investigator thought Sainsbury's should refund the reasonable transport costs incurred by

Miss B and Miss B2 from 12 May 2023 to 27 June 2023 (with interest) subject to evidence – as well as paying the £150 compensation it had already offered.

Miss B and Miss B2 accepted the investigator's view, but Sainsbury's didn't. It said Miss B didn't have to declare the cancellation to future insurers. It said the cancellation wasn't by the insurer, but by it (an intermediary) and that it related to the finance agreement, not to the policy. It said there was only an internal record of the cancellation, and that insurers would regard it as a voluntary one. The investigator pointed out that Miss B's view was that if she was asked by other insurers about cancellations she'd have to say she'd had a policy cancelled, as that was what had happened. She said if Sainsbury's wouldn't amend the record, it should send Miss B a letter stating that the policy was cancelled due to its error.

The investigator also queried Sainsbury's lack of response to her proposal about paying reasonable transport costs. As there was no reply from it to the investigator's email, the complaint was passed to me for review. I issued a provisional decision as follows:

#### *Responsibility for the cancellation, compensation, and mitigation*

*Sainsbury's accepts that the cancellation was due solely to its errors, and there's no doubt that as a result of those errors Miss B and Miss B2 have faced a great deal of distress and inconvenience, plus financial detriment. To try to put that right, I think it would be fair and reasonable for Sainsbury's to pay compensation. In considering that issue, I have to take into account to what extent Miss B could have mitigated her losses by taking out another policy. That would have allowed herself and Miss B2 to limit paying for public transport / taxis and risking Miss B2's health, as well as limiting their distress and inconvenience.*

*In my opinion, Miss B and Miss B2 genuinely thought that if Miss B bought another policy - and told a new insurer about the cancellation – her admission would mean a permanent mark on her record, as well as unaffordable premiums. The quotes Miss B had been able to get showed that the cost of cover had increased dramatically after the cancellation. And she wasn't confident that some of the insurers who quoted for a policy for her were reputable.*

*Based on the details Miss B has provided, I think the return premium provided by Sainsbury's soon after the cancellation would only have paid the hugely increased premiums on offer for a month or so. Miss B had no idea how long it would take for her complaint to be dealt with, and it seems likely she'd have struggled to pay higher premiums in the interim.*

*I think it's understandable that Ms B was so reluctant to take out another policy. I also think it's understandable that Miss B and Miss B2 were so worried, confused, and frustrated by the situation. I've taken into account that they were particularly vulnerable at the time, due to Miss B2's serious health conditions, her medical appointments, and the death of their close family member. In my opinion, the shock of the cancellation could not have come at a worse time for them. Consequently, I think the impact of Sainsbury's error was greater than it would have been otherwise. I think when Sainsbury's made its offer on 27 June 2023 to refund any extra costs incurred on a new policy, Miss B should have bought one then, to minimise her losses. But in my opinion, the distress and inconvenience faced by her and by Miss B2 up to that point merits £250 compensation.*

#### *Transport costs*

*I think it would be reasonable for Sainsbury's to pay the reasonable transport costs incurred by Miss B and Miss B2 during the more than six-week period between the cancellation and its offer to pay for the extra cost of new cover. No extra transport costs would have been incurred but for the cancellation – which was Sainsbury's fault.*

*We asked Miss B to provide any receipts she had and to set out the extra travel expenses incurred during that time. Miss B provided receipts for the taxi fares she'd paid. I don't think the number of taxis (10) or the sum spent on them (around £100) were excessive. Half of the trips by taxi were for medical or emergency care home visits. The others were at the few times when Miss B's medical condition made it difficult to use public transport. In my opinion, she made every effort not to use taxis for the majority of the time. Miss B spent around £180 on commuting by public transport, using off-peak fares when possible. I don't think that was excessive either. So in my opinion, it would be reasonable for Sainsbury's to pay £280 in transport costs to Miss B. It should also pay interest on that sum.*

### *Future insurance*

*In terms of Miss B's future insurance premiums, I don't think Sainsbury's can instruct her how to answer questions about cancellations put to her by future insurers. I think it's obvious why she's so anxious about the idea that she shouldn't say anything about the cancellation, when in fact her policy was cancelled. The question asked by other insurers isn't generally whether a consumer has had a policy cancelled by another insurer - it's usually whether they have ever had a policy cancelled.*

*I think it's reasonable for Miss B to think she should answer that question truthfully. And as brokers / intermediaries sometimes cancel policies on behalf of insurers, I think she could face difficulties with other insurers in the future if she tries to explain the situation without evidence of what actually happened. That situation could easily be avoided if Sainsbury's provide a letter to Miss B stating that the policy was cancelled by it - not by the insurer - as a result of an administrative error on its part. I think that will give Miss B peace of mind and prevent any ongoing anxiety or distress on her part resulting from Sainsbury's errors – thereby putting her back in the position she would have been in but for those errors.*

I asked the parties to comment on my provisional findings. Miss B and Miss B2 accepted them. Sainsbury's also accepted them and offered to contact Miss B for her bank details - or alternatively for Miss B to provide them through us.

### **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 commented on my provisional findings, there's no reason to depart from them. So, for the reasons set out above, I'm upholding this complaint and I require Sainsbury's to put matters right as set out below.

### **My final decision**

My final decision is that I uphold this complaint. I require Sainsbury's Bank Plc to do the following:

- Pay Miss B £250 for distress and inconvenience.
- Pay Miss B £280 towards her extra transport costs, from the date of the cancellation to 27 June 2023, plus interest, at the simple yearly rate of 8%.
- Provide a letter to Miss B stating that the policy was cancelled by Sainsbury's (not by the insurer) as the result of an administrative error.

If Sainsbury's thinks it should deduct tax from the interest paid, it should say how much has been deducted, so Miss B can reclaim it from HMRC as appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B and Miss B2 to accept or reject my decision before 7 October 2024.

Susan Ewins  
**Ombudsman**