

The complaint

Miss D complains about how Tesco Underwriting Limited (Tesco) handled a claim under her motor insurance policy for damage to her vehicle in an accident.

Any reference to Tesco in this decision includes their agents.

What happened

In November 2023 Miss D's vehicle was involved in an accident, a multiple vehicle collision on a motorway. Miss D was the third vehicle of four, in which she collided with a vehicle in front and was also hit by a vehicle from behind, causing her to hit the second vehicle a second time. As the collision occurred on a motorway, the police attended and arranged for the initial recovery of Miss D's vehicle.

She contacted Tesco to tell them about the accident and lodge a claim. She was told she would be contacted by their agent (A) about a courtesy car. However, there were issues about the type of car Miss D was entitled to under the policy, which included provision of an upgraded car. After spending time resolving the issue with Tesco and A, Miss D collected a courtesy car the day after the accident.

There were then issues with the recovery and collection of Miss D's vehicle, uncertainty about its location which meant delays in assessing her vehicle and progressing the claim. Miss D also thought communication from Tesco was poor. Tesco said it was likely the vehicle would be declared a total loss, and the claim was settled (as a total loss) at the start of January 2024. Miss D was also unhappy at what she'd been told about the impact of the claim on her No Claims Discount (NCD) which differed from what was recorded on the insurance database. There was also confusion about whether Miss D could add a replacement vehicle to her policy. Tesco said she could add a replacement vehicle to the policy but was then told the replacement vehicle couldn't be added as Tesco classified it as a commercial vehicle and said they didn't offer commercial vehicle policies. So, Miss D had to take out a new policy with a different insurer, while her existing policy continued.

Unhappy at what happened, Miss D complained to Tesco. She said events had caused her significant disruption and financial risk, starting with the issues about the courtesy car, assessment and repairs to her vehicle and the risk of credit default from the vehicle finance company. There had been a lack of communication from Tesco throughout.

Tesco upheld the complaint. Their final response didn't address the detailed points made by Miss D but accepted she hadn't received as much communication as she would have liked and hadn't received callbacks when promised. Tesco also acknowledged delays in progressing her claim, referring to industry challenges creating delays in repair services.

Miss D then complained to this Service, under the following broad headings:

- (a) Courtesy car issues.
- (b) Vehicle repair/total loss issues.
- (c) Claim communication issues.

- (d) Complaint process issues.
- (e) Vehicle replacement issues.
- (f) No Claims Discount (NCD) issues.

The impact of these issues caused her significant stress and inconvenience, as well as financial loss. She wanted Tesco to acknowledge their mishandling of the claim and apologise. She also wanted them to review complaints handling procedures and expected them to award her substantial compensation for all aspects of her complaint.

Our investigator upheld the complaint, concluding Tesco hadn't acted fairly. On the courtesy car issues, the investigator noted the issues over entitlement, but that Miss D was provided with a courtesy car the afternoon after the accident the previous evening. Some disruption and inconvenience was to be expected. On the recovery and assessment of Miss D's vehicle, the investigator noted the issues Miss D experienced but that some disruption to her work commitments would be likely in any event. But the investigator did think Tesco should compensate Miss D for a session she had to provide free (£38). The investigator also thought Miss D having been provided with a like for like courtesy vehicle for the duration of the claim mitigated the impact on her new business.

On communication and updates from Tesco, the investigator thought this should have been better and this caused more stress to Miss D than it should have done. On Tesco's complaint handling, the investigator noted complaints handling wasn't a regulated activity that fell under the remit of this Service, but the errors and lack of resolution offered by Tesco would have been disappointing and created a loss of expectation for Miss D.

On the insurance for Miss D's replacement vehicle, while Miss D was told she would be able to add a replacement vehicle to her policy, it was Tesco's policy not to insure what they considered to be commercial vehicles. While this meant Miss D having to have two separate policies, the claim under her policy would always have meant the full annual premium on her policy would have been due, which was standard practice in motor insurance policies. Miss D would always have had to take out a new policy for her replacement vehicle, so she hadn't suffered an avoidable financial loss. On the NCD issue, Tesco confirmed that where there was a claim in which liability was in dispute, Miss D's NCD entitlement would have reduced from nine years to three years, in accordance with the policy terms. If Miss D had been told the reduction would be to five years, then she had been misinformed.

Taking account of all their findings and conclusions, the investigator thought the issues would have caused Miss D greater levels of frustration and annoyance than she should have expected and there were numerous errors by Tesco over a period of weeks that took reasonable effort to resolve. To put things right, the investigator thought Tesco should pay £250 compensation for distress and inconvenience, in addition to the reimbursement of £38 for the free appointment she had to provide a client.

Miss D disagreed with the investigator's view and requested that an Ombudsman review the complaint. She thought Tesco's mishandling of her claim and complaint meant they should be held accountable. On the specific findings and conclusions of the investigator, Miss D raised several points. On the courtesy car issues, her concern was losing a day's income from having to take time off to resolve the issues. On Tesco's handling of her complaint, she didn't think the recommended compensation reflected Tesco's shortcomings. Nor did the compensation fully reflect the number of errors made by Tesco during the claims process and the significant amount of time she'd had to spend trying to resolve matters. Tesco's errors had also put her at risk of her credit rating being damaged.

Miss D also said that, on reflection, what happened had caused a lasting impact on her emotional wellbeing. She now felt very anxious as a passenger and driver in her own

vehicle, given the prospect of having to go through a similar experience of making a claim (not the experience of the accident itself). She'd experienced panic attacks and significant stress. She didn't feel this impact had been considered in the recommended compensation.

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.

I'd first want to acknowledge what Miss D has told us about the circumstances of the accident in which she was involved. A multi-vehicle collision on a motorway, with Miss D's vehicle colliding with the vehicle in front and being hit from behind, would have been traumatic. I also recognise what she's told us about how her experience with Tesco has added to her stress and affected her wellbeing. I've borne this in mind when deciding, as is my role here, whether Tesco have acted fairly towards Miss D.

Miss D summarised her complaint to this Service under six broad headings, set out above. For ease of reference, I've considered the case under these headings in turn. I would also note that while I haven't commented on every aspect of each complaint heading raised by Miss D, I've considered all the evidence and information she's provided (as well as that from Tesco). The following paragraphs set out what I think are the key aspects of each of the issues, together with my findings and conclusions, before taking them all into consideration when deciding what I think Tesco should do to put things right.

(a) Courtesy car issues.

Looking at what happened from the evidence and information available, it's clear there was some confusion about Miss D's entitlement to a courtesy car. She'd opted for enhanced courtesy car cover, but initially was only offered a basic courtesy car. It took a significant amount of time and effort on Miss D's part the day after the accident until she picked up her courtesy car from A late afternoon.

While the accident occurred late afternoon/early evening on the day before, I've concluded Miss D suffered unnecessary inconvenience in obtaining a courtesy car in line with her entitlement under the policy, albeit she had the car just under 24 hours after the accident. And while Tesco extended the hire of the courtesy car to the date of their settlement of the claim (outside the policy terms) this also involved Miss D having to spend time discussing this with Tesco and A before finally getting confirmation of the extension.

(b) Vehicle repair/total loss issues.

Looking at the sequence of events, the vehicle was initially recovered by a firm acting for the police, given the accident occurred on a motorway. There then appears to have been delays in the vehicle being assessed by Tesco's engineers and a valuation (as a total loss) provided. There was also confusion over the vehicle's mileage, being initially recorded incorrectly (and this being used to generate a valuation higher than the true mileage would have produced). This was corrected and a revised (lower) settlement calculated. And there were delays moving the vehicle from the initial recovery location to Tesco's salvage agents.

Eventually, a settlement was made by Tesco, direct to the finance company under which Miss D was leasing the vehicle, in the first week of January 2024. Before that, there was some risk of the finance company applying a credit default onto Miss D's account, but from what I've seen this was either not applied, or quickly removed. I've also seen letters from the finance company providing a settlement figure for the vehicle, in mid-December 2023 and then at the beginning of January 2024. In total loss situations where a vehicle is the subject

of a finance arrangement, it is standard practice for the insurer to make the settlement directly to the finance company. That is what happened here, and I've not seen anything to suggest (or Miss D has raised concerns) the settlement valuation wasn't fair and reasonable, once the correct vehicle mileage was established.

However, I've concluded the assessment of the vehicle as a total loss should have been carried out sooner than it was, causing unnecessary distress and inconvenience to Miss D.

(c) Claim communication issues.

Miss D says Tesco's communication throughout the claims process was poor, with her having to spend considerable time chasing them for updates as well as inconsistent and confusing messages from Tesco about the claim and what was happening. Looking at the evidence and information provided in the case, I agree. Many of the issues I've commented on under the other complaint headings come down to a lack of communication and uncertainty and confusion about what was happening and progress with the claim and the various aspects of the claim.

(d) Complaint process issues.

Miss D made her complaint at the beginning of January 2024, on the date Tesco made settlement of her claim. Tesco issued a final response the following day, referring to a call they said they'd had with Miss D. Miss D says this didn't happen and she was then told the response had been sent in error and she should disregard it. Miss D has set out her follow up to Tesco about her complaint, but from what they've told us, Tesco didn't issue a further response before Miss D complained to this Service and none was provided as part of their response to our request for evidence and information about Miss D's complaint.

Complaint handling by a business isn't a regulated activity in itself that falls within the remit of this Service. However, we can consider it where we conclude it is relevant to the substance of a complaint and the issues we are able to consider within our remit. In this case, given what appears to have happened and the lack of a clear, detailed final response from Tesco to Miss D's complaint, I've concluded Tesco's handling of the complaint has been poor and I can understand why Miss D feels – as she does about Tesco's handling of the claim and the other issues she's raised in her complaint – Tesco's communication and responsiveness has been poor and below the standard she should expect to receive.

(e) Vehicle replacement issues.

Miss D says she was told by Tesco if she purchased a replacement vehicle within a set timeframe it would be covered under her existing policy. Miss D purchased a replacement vehicle but was then told they couldn't insure the vehicle as they deemed it a commercial vehicle. However, Miss D couldn't cancel her existing policy as there was an ongoing claim. She took out the policy in September 2023 and therefore the policy was in force for some two months prior to the accident and she was put in the position where she was paying the full annual premium (as she paid the premium in full) while at the same time having to take out a new policy for the replacement vehicle (at a cost of over £2,000 per year).

Tesco say they allow a period of 90 days for a policyholder to replace a vehicle and keep the policy in force, which is consistent with general practice within the insurance industry. This reflects legislative requirements about consumers having an insurable interest under a policy. That is, they cannot have an open policy where there is no insured vehicle.

I think there are two aspects to this issue. First, Miss D is unhappy she paid a full year's premium for her policy with Tesco but had to take out a new policy for her replacement

vehicle. However, while there is a general provision for a replacement vehicle to be added to a policy where the previous insured vehicle has been settled as a total loss, this does depend on whether the insurer is willing to accept the vehicle for cover (or the terms under which they are willing to accept it).

This may mean an additional premium is due, for example if the replacement vehicle is deemed to present a higher risk than the original vehicle. But there are circumstances in which a replacement vehicle isn't acceptable to an insurer under any terms. That's a decision for an insurer. In this case, Tesco deem the replacement vehicle a commercial vehicle (from the brief description provided by Miss D, the vehicle appears to be a 'pick up' or 'double cab' type of vehicle).

From what Miss D told us, she called Tesco to tell them, about the replacement vehicle when she purchased it, to be told they wouldn't cover it. I can't conclude Tesco's position is unfair or unreasonable. As Tesco wouldn't offer cover for a commercial vehicle, then Miss D would always have had to take out cover with another insurer, as is the case here.

The other aspect of this issue is Tesco retaining the full premium for the policy, even though the claim was made some two months into the policy and settlement after some three to four months. However, it's standard practice in motor insurance policies that where a claim is made against the policy, the full premium for the policy is due to the insurer. This reflects the nature of an insurance contract, whereby an insurer agrees to provide cover (including settling any claims made under the policy) in exchange for the policy premium. So, I've concluded Tesco acted in line with the policy terms (and standard insurance practice) by retaining the full premium, as part of their settlement of the claim. To that extent, Miss D hasn't suffered a financial loss under the policy and hasn't been treated any differently than would any other policyholder in the same circumstances.

(f) No Claims Discount (NCD) issues.

Miss D says she was told by Tesco, when she first reported the accident on the date it occurred, that her NCD would be reduced from nine years to five years. However, she says her new insurer told her this wasn't what was recorded on the insurance database to which they had access. Tesco say Miss D didn't have NCD protection, then any claim made under the policy would affect her NCD, under what are known as 'step back' provision. These provide for what happens to a policyholder's NCD in the event of a claim being made. Typically this takes the form of a table that sets out, for each level of NCD earned by a policyholder, the impact of one (or more) claims within a twelve month (or other) period. Usually this will mean a reduction in NCD entitlement at the next policy renewal (or where a policy is taken out with a new insurer).

In this case, Tesco say the step back arrangements under the policy would mean a reduction in NCD entitlement from nine years to three years. This would also depend on whether the claim made was deemed to be a 'fault' claim or a 'non-fault' claim. In this context 'fault' is not necessarily the same thing as 'blame' (particularly as a policyholder would see it). I haven't seen a clear decision on liability for the accident, but for a claim to be classified as 'non-fault' an insurer would have to obtain an acceptance of liability from the other insurer (in this case, the other insurers) and to recover all the outlays they incur on a claim.

Tesco told us the claim remains open and it's a decision for them on liability and how to record the claim. But from what I've seen and the description of the accident, I think it unlikely Tesco would have obtained acceptance of liability from the insurers of the two other vehicles (and the insurer of the first vehicle in the sequence of collisions). I know Miss D feels strongly she wasn't to blame for any of the collisions in which her vehicle was involved. She says the vehicle immediately in front of her made an emergency stop, giving her no

opportunity to take avoiding action by moving to another lane or to avoid hitting the rear of the vehicle. And that the vehicle behind her was travelling at speed and therefore was responsible for hitting the rear of her vehicle (and in turn causing her to collide with the vehicle in front a second time). While I don't doubt the sincerity of her view, I doubt it would mean Tesco being able to recoup all their claim outlays from the other insurers, so the claim would be classified as a 'fault' claim.

So, I've concluded, in the absence of any evidence to the contrary, it was reasonable for Tesco to classify the claim as a 'fault' claim and to apply the NCD 'step back' arrangements to Miss D's NCD entitlement.

Taking all these points together, I've concluded Tesco haven't acted fairly and reasonably in their handling of Miss D's claim. The claim was subject to delays and uncertainty from the outset and while it was ultimately settled as a total loss, I think this position should have been reached sooner than it was. It's also clear Miss D has spent significant time on different aspects of the claim, and this has caused her significant stress, upset and inconvenience.

I've also considered what she's said about the impact of what happened on her, including what she's said about her feelings of anxiety because of the way Tesco handled the claim, which she distinguishes from the undoubted impact the accident itself is likely to have had on her. Miss D has also set out a number of financial impacts she says she incurred including the time spent dealing with issues arising and the knock-on impact on her self-employed role and establishment of a new business. I don't doubt the impact in terms of time she's spent dealing with the claim, although the nature of the accident and having to make a claim will always have involved a degree of inconvenience and lost time. So, I've taken this into account when assessing what I think is fair and reasonable compensation for the distress and inconvenience she'd suffered, over and above the inherent stress and inconvenience of having to make a claim.

I've also noted the specific issue of the need to offer a free session in her role to a customer, which she says cost her £38. In the circumstances I think this is reasonable, and Tesco have accepted this part of our investigator's recommendations.

Coming back to the issue of compensation, I've also had regard to the published guidance from this Service on awards for distress and inconvenience. Looking at the circumstances of the case, I've concluded Miss D suffered considerable distress, upset and worry over a period of weeks from the accident to the settlement of the claim, requiring significant effort to resolve. And while it isn't the role of this Service to punish businesses for their mistakes, I think Tesco's handling of the claim fell significantly short of what Miss D should have expected.

Taking these points into account, I think £400 compensation for distress and inconvenience would be fair and reasonable. This would be in addition to reimbursement of the £38 Miss D lost in respect of a customer session.

As the sum for distress and inconvenience is higher than that recommended by our investigator, we approached Miss D and Tesco for their views on the increased amount. Miss D didn't respond, while Tesco didn't have any further comments. That being the case, then I think it's a fair and reasonable outcome.

My final decision

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

- Pay Miss D £400 compensation for distress and inconvenience.

- Pay Miss D £38 in respect of the lost customer session.

Tesco Underwriting Limited must pay the compensation within 28 days of the date we tell them Miss D 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 Miss D to accept or reject my decision before 14 February 2025.

Paul King
Ombudsman