



The complaint

Mrs K complains about Tesco Underwriting Limited's decision to cancel her car insurance policy.

What happened

Mrs K took out a car insurance policy with Tesco in September 2022. She told Tesco she had one years' no claims discount (NCD).

In July 2023, Mrs K sent Tesco proof of NCD that was more than one year but was earned outside the UK. She said she wanted to see if this would reduce her premium.

Tesco sent Mrs K an email in July 2023 to confirm it wouldn't accept this NCD and asked her to log into her account as more information was needed. Tesco also sent a letter to her address giving seven days' notice of cancellation.

Because Tesco didn't hear back from Mrs K, it cancelled her policy in August 2023 and sent her a letter and email to confirm this.

On receipt of the email confirming cancellation, Mrs K complained to Tesco. She said there was no notice of cancellation on her account, and she wasn't aware her policy would be cancelled.

Tesco issued a complaint response in August 2023. It said it didn't accept foreign NCD and it had notified Mrs K the policy would be cancelled. It accepted it could have made more effort to contact her with options before cancelling the policy, so it offered her £30.

Mrs K referred her complaint to the Financial Ombudsman Service. She said Tesco cancelled her policy without sufficient notice. She said she was away between July and September 2023 and didn't read Tesco's letter until September 2023. She said she had proof of one years' NCD earned in the UK so her cover should have continued at the price she'd already agreed to pay. As a result of Tesco's actions, she said she had to take out a more expensive insurance policy in August 2023 and would have to declare the cancellation on her other insurance policies. This caused disruption to her work and life and caused a lot of stress. She wanted Tesco to reimburse the additional amount she paid on the new insurance policy along with compensation, removal of the cancellation from her records and a letter from Tesco to confirm its error.

The Investigator didn't uphold the complaint. They said Tesco was entitled to decide whether to accept NCD earned outside the UK. They said Tesco had issued notice of cancellation by email and letter, so it acted fairly in cancelling the policy.

Mrs K didn't agree. She understood that Tesco didn't accept foreign NCD, but she said she wasn't properly notified of the cancellation. The email Tesco sent her didn't warn of cancellation and her preferred method of communication was email. She said there was no information or notice on her account. She said she wouldn't have risked her policy being cancelled, and if she'd been notified, she would have contacted Tesco earlier.

Because the complaint couldn't be resolved, it's been passed to me to decide.

I issued a provisional decision. In it I explained why I intended to uphold the complaint in full. The provisional decision's reasoning forms part of this final decision, so I've copied it in below. I invited Mrs K and Tesco to provide any further comment or evidence they'd like me to consider before issuing this final decision.

What I've provisionally 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.

NCD earned outside the UK

Mrs K said she understands Tesco doesn't accept NCD earned outside the UK.

But for completeness, I've reviewed Tesco's underwriting criteria and I'm satisfied that it doesn't accept NCD earned outside the UK. And I don't think it acted unfairly in refusing to accept the NCD Mrs K provided in July 2023 (earned outside the UK).

But Mrs K said she wasn't notified of the cancellation, and she did have proof of one years' NCD earned in the UK, that she told Tesco about when she took out the policy in September 2022. So I've considered this below.

Cancellation

The policy terms say Tesco can cancel the policy by giving Mrs K seven days' notice using her preferred method of communication and also by post. The terms also say Tesco can do this where Mrs K doesn't provide proof of her NCD following its reminders.

It's good industry practice for an insurer to use the means of communication that reflects the consumer's communication preference to warn them about the cancellation. And due to the implications of having a policy cancelled, it's good industry practice for an insurer to use two means of communication, such as email and letter.

Tesco accepts Mrs K's preferred method of communication was email and it has provided evidence that shows this. It says it sent a notice by email, but I've seen a copy of the email it sent Mrs K in July 2023 and I don't agree. The email says it can't accept proof of the NCD Mrs K provided and that additional information is required. But it doesn't include anything to say Mrs K's policy would be cancelled, or when.

Tesco did send a letter in July 2023 which included the cancellation notice, but because it didn't include this information in the email it sent her, and because it didn't send any further reminders, I don't think it followed the requirements under the policy terms, or what I'd consider good industry practice. So I think Tesco acted unfairly in not notifying Mrs K of the cancellation by email.

Tesco says it included the notice in Mrs K's policy account. But this was not Mrs K's preferred method of communication. And Mrs K has provided a screenshot of her account to show there was no notice on the account prior to the policy being cancelled. Tesco says all correspondence, except for the latest cancellation notice, is removed from the account once the policy is cancelled, but this doesn't explain why the screenshot Mrs K provided shows other correspondence, such as 'insurance proposal' from 2022, but not any cancellation notice prior to the cancellation confirmation of

August 2023. So overall, I think it's more likely than not that Mrs K didn't receive any notice of cancellation on her account.

Tesco accepted in its final response, and in its submission to this service, that it could have made more of an effort to contact Mrs K. And for the reasons outlined above, I think it acted unfairly in not doing so. I've therefore gone on to consider what would have happened if Tesco hadn't acted unfairly.

Mrs K provided evidence to show she had proof of one years' NCD earned in the UK. The evidence she's provided shows she had this proof since September 2022. Mrs K also provided evidence to show she was away from home between July 2023 and September 2023.

So I think if Tesco had notified Mrs K by email that the policy was going to be cancelled, and if she'd been reasonably aware the policy was going to be cancelled, she would likely have provided this evidence to Tesco in time. And if she'd done this, I don't think her policy would've been cancelled. This is because she'd likely have provided the evidence Tesco needed to continue with the cover, without any amendment to the policy details or premium.

Financial loss

Mrs K said she had to take out a new policy, for £838.02. I've no reason to doubt this. This is more expensive than the £644.24 premium with Tesco. So I think Mrs K had to pay more for a new policy due to Tesco's error in cancelling her policy. And I think Tesco should refund the extra premium Mrs K paid for the new policy, assuming everything else remained the same. This represents a difference of £193.78, so this is what I think Tesco should pay Mrs K. And because I think Mrs K was unfairly without this additional amount, I think Tesco should add interest to this.

Compensation

In unfairly cancelling her policy, I think Tesco would've caused Mrs K distress and inconvenience, requiring a reasonable amount of effort on her part to sort out. Mrs K said there was disruption that caused her stress, and I'm satisfied this was due to Tesco's actions.

For this reason, I think Tesco should pay Mrs K £250 for the distress and inconvenience caused.

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.

Neither party responded to my provisional decision. So I don't have any reason to change the outcome I proposed in my provisional decision.

My final decision

My final decision is that I uphold this complaint. I require Tesco Underwriting Limited to:

- Remove any record of cancellation from all internal and external databases.
- Pay Mrs K £193.78 for the extra amount she paid on her new insurance policy.
- Add interest to the above amount at the rate of 8% simple per year, from the date

Mrs K paid for the new car insurance policy, to the date of settlement*.

- Pay Mrs K £250 compensation for the distress and inconvenience caused.
- Provide Mrs K a letter to confirm the policy was cancelled in error. This should include confirmation that the difference in premium has been refunded.

* If Tesco Underwriting Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs K how much it's taken off. It should also give Mrs K a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 30 January 2025.

Monjur Alam
Ombudsman