

## **The complaint**

Mr L complains that Tesco Underwriting Limited (“Tesco”) provided him with incorrect information when he changed the vehicle on his policy, and so he has paid more than he should have.

## **What happened**

Mr L had a motor insurance policy with Tesco Underwriting Limited which he purchased online to start on 19 October 2023.

Unfortunately, Mr L was involved in a non-fault accident in December 2023 and his car was written off.

Mr L purchased a new car and contacted Tesco to quote for a policy. The premium was over £1,200 more than his previous one. When he questioned the price he was told it was due to the open claim that was recorded as fault, since Tesco hadn’t recovered its outlay. Tesco said when the claim closed as non-fault the additional premium would be refunded.

Mr L says he felt he needed to stay with Tesco since his claim was ongoing. And so, he felt he had no choice but to proceed with the policy at the price quoted.

Mr L received notification the claim had closed so he contacted Tesco to obtain his refund. Tesco refused to provide a refund and said Mr L was given incorrect information. Tesco say non-fault claims recorded on the policy have an impact on premiums. And that the premium would only be recalculated if the claim was logged as fault, the renewal was due, and the claim was subsequently settled as non-fault. Mr L wasn’t satisfied, he was told by three different members of staff that he would receive a refund for the additional premium once the claim was closed.

Mr L wasn’t happy, so he complained to Tesco. Tesco said the claim was noted as a fault claim while it was ongoing, and that this was a standard process across the motor insurance industry. Tesco said a claim doesn’t impact the premium until renewal, or when a new policy is purchased. In January 2024 Mr L contacted Tesco Customer Service and was told once the claim is settled as non-fault the premium would be reduced pro-rata. Tesco said Mr L was misinformed by customer services and apologised he wasn’t provided with correct information.

It said the premium increase wasn’t due to the open claim and was due to a number of factors insurers look at when deciding premiums, such as the type of car, how long the car was owned, whether it has higher repair costs. Tesco noted Mr L’s new vehicle had a greater market value which would also impact the insurance premium. Tesco said it would allow Mr L to cancel his policy without paying the cancellation fee if he wanted to obtain insurance elsewhere. It also paid him £50 for the incorrect advice he was provided with when he contacted customer services.

Mr L didn’t agree with Tesco’s response. He said three different agents provided him with the same advice about the refund. He says he’s spent hours on the phone trying to resolve

the matter. He wants Tesco to refund the additional cost of the premium. Mr L referred his complaint to this service.

Our investigator said it was clear Mr L had been given incorrect information during his call with Tesco and so it was reasonable for him to think he would receive a refund once his claim was settled as non-fault, and that cancelling his policy wasn't a viable option. The investigator was satisfied the increased premium offered to Mr L for changing his vehicle was fair and in line with Tesco's underwriting guidance.

Tesco didn't agree; although it accepts Mr L was given incorrect information on 27 January 2024, Mr L didn't amend his policy at that time. Instead, Mr L called back five days later to make the changes to the policy. Tesco said £50 awarded was fair since no changes were made on the initial call. Tesco disagreed with the compensation recommended; it said since the premium charged was correct it didn't need to offer compensation to cover the first increased instalment.

### **My provisional decision**

I recently issued a provisional decision setting out my thoughts on the key complaint and how I thought matters might best be resolved. I said;

*"I intend to partially uphold Mr L's complaint for broadly the same reasons as the investigator. I'll explain why.*

#### *Premium Pricing*

*The Financial Conduct Authority (FCA) doesn't regulate on the price insurance companies charge for the cover they provide, or the criteria used when calculating premiums. This means our service isn't able to consider this. That said we still expect Tesco to treat its customers fairly. This means I can consider whether Tesco followed its established underwriting guidance and treated Mr L the same as any other customer in these same circumstances.*

*I have seen Tesco's underwriting criteria. The underwriting criteria is commercially sensitive information and so Tesco are not obligated to share that with Mr L, nor is our service able to describe what it contains.*

*Having reviewed the information, I'm satisfied Tesco acted within this criteria when updating Mr L's policy. And so, it follows, the price it charged for the premium was correct.*

*During the call with the agent on 27 January 2024 Mr L says he has found cheaper cover elsewhere. I understand he felt he had to stay with Tesco due to the open claim. However, once the claim was closed and his complaint was raised, Mr L was given the opportunity to cancel his policy without being charged the cancellation fee. But I can't see that he did this. So, I don't think Tesco did anything wrong here.*

#### *Misleading information*

*Mr L isn't happy he was told that once his non-fault claim was closed, he would be able to have his policy recalculated and be refunded the additional premium. I have listened to the call on 27 January 2024 and agree Mr L was given incorrect and confusing information. Mr L checked his understanding again later in the call and the misleading information was confirmed again. A few days later Mr L makes the amendment on the policy.*

*Tesco say since Mr L didn't make the amendments to his policy during the initial call, and that call was only a quote, the compensation offered fairly reflects the distress and inconvenience caused. I don't agree.*

*It is evident to me that Tesco failed to give Mr L clear, fair, and not misleading information as we'd expect. I've thought carefully about the impact this had on Mr L. As a result of the information provided to him, Mr L proceeded with the policy with Tesco even though he expressed concern about the price a number of times on the call. He asked whether he was able to change to a cheaper provider and the agent on the call tells him he'd have to pay the rest of the premiums for the policy anyway and so I think Mr L didn't feel he had any other option but to proceed. And given the increase I think this would have had a significant impact on him; more than is expected in our day-to-day lives. However, I can see from the initial call in January to when Mr L was told he wasn't able to have a refund in February 2024 the impact was fairly short-lived.*

*Mr L wants Tesco to refund the additional premium he paid when he changed the car on his policy. But I don't think that's fair. Mr L had an opportunity to cancel the policy without a cancellation fee, but he didn't do this.*

*If Mr L had cause to contact Tesco to deal with an issue covered under the policy Tesco would be obliged to carry that out. And since he has had the benefit of the policy from inception, I don't think it's fair to ask Tesco to refund those premiums.*

#### **Conclusion**

*In response to Mr L's complaint Tesco paid £50 to reflect the distress and inconvenience caused and offered to waive its cancellation fee if Mr L chose to cancel the policy.*

*I've considered Mr L's testimony about the time spent trying to resolve and clarify matters. Our investigator recommended Tesco pay a further £200, taking the total compensation to £250. He said the level of compensation was to partially account for the increased first monthly payment Mr L made. Since I have said the premium increase was fair I don't agree that any payment I direct should also account for the increased premiums here.*

*So, to reflect the distress and inconvenience caused to Mr L I intend to direct Tesco to pay him a further £100 to reflect the impact of the mistake on him. That takes the total compensation to £150 which I think is fair and reasonable and is broadly in line with the awards we make for trouble and upset as set out on our website.*

*I understand Mr L will be disappointed with my decision as he's been through a lot of stress. But I hope he can see I've considered the evidence and determined the impact in line with this service's approach.*

*I invited both parties to let me have any further comments they wished to make in response to my provisional conclusions.*

#### **Response to my provisional decision**

*Neither party provided any additional evidence, information, or comments.*

#### **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.

In light of the fact that neither party provided any additional evidence or information following receipt of my provisional decision (which I've reproduced here and which forms part of this final decision), I'm satisfied it represents an appropriate way to resolve the dispute.

### **Putting things right**

Tesco Underwriting Limited should pay Mr L a further £100 to reflect the impact of the mistake on him.

### **My final decision**

For the reasons set out above I partially uphold Mr L's complaint. I direct Tesco Underwriting Limited to resolve the complaint by doing what I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 28 March 2025.

Kiran Clair  
**Ombudsman**