

## **The complaint**

Mr W complains about how Sainsburys Bank Plc (Sainsburys) handled the cancellation of his motor insurance policy, following an incident involving a collision with a third party vehicle.

Any reference to Sainsburys in this decision includes their agents.

This decision covers Sainsburys in their role as insurance intermediary in arranging and administering Mr W's policy. The policy was underwritten by separate insurers, with whom Mr W had the contract of insurance in respect of the policy. For the policy year to April 2024, the insurer was C, while for the policy year beginning in April 2024, the insurer was ERS.

## **What happened**

In February 2024 there was an incident in which Mr W's vehicle (being driven by a named driver) was brushed by a third party vehicle. Mr W contacted Sainsburys to tell them about the incident, who told them to contact their repairer (A) to arrange repairs. The following day, the third party contacted Mr W to admit liability and offering to repair any damage. Mr W told A he didn't want to proceed with a claim under his policy.

The following month, Sainsburys were contacted by the insurer of the new policy (ERS) at the time of the renewal of Mr W's policy, to say there was an 'undisclosed claim' recorded on the Claims Underwriting Exchange (CUE) in respect of the incident in February 2024. ERS asked Sainsburys to contact Mr W to ask him about the claim. Sainsburys contacted Mr W, asking him to contact them. Mr W contacted Sainsburys, who asked him about the claim. He said he hadn't made a claim during the year. ERS then asked Sainsburys to collect an additional premium they calculated for applying the claim to the policy.

Sainsburys wrote to Mr W, and he contacted them at the beginning of April, in which the agent confirmed his policy had renewed and that he should disregard the previous letters. However, the required changes to the policy weren't made so Sainsburys wrote to Mr W again asking him to contact them, but he didn't respond. ERS then asked Sainsburys to issue a notice of cancellation of the policy, but Mr W was away on holiday at the time and the policy was cancelled towards the end of April.

When Mr W returned from holiday, he saw the letters from Sainsburys asking him to contact them. When he contacted them, he was told his insurance had been cancelled as he hadn't responded. In the circumstances, Mr W took out short-term cover (at a cost of £324.81). Following a discussion with ERS at the beginning of May, they confirmed to Mr W the cancellation marker on his insurance record would be removed. Unhappy at what had happened, Mr W complained to Sainsburys, asking for compensation for the additional insurance he'd had to take out and for the distress and inconvenience. He was also unhappy at not receiving a call back when one was promised.

Sainsburys upheld the complaint. In their final response, issued in July 2024, they referred to the contacts with Mr W during the period. They noted Mr W had said he hadn't made a claim, but they needed to be notified of an incident, even if Mr W didn't intend to make a

complaint. ERS asked them to apply the claim in respect of the incident in February 2024 and collect an additional premium. Sainsburys also acknowledged that when Mr W contacted them in early April, their agent had confirmed his policy had renewed but didn't mention that ERS said the incident (claim) needed to be applied to the policy or the additional premium. This led Mr W to believe his policy was fine and he didn't need to take any further action. Sainsburys apologised for the confusion.

Mr W didn't respond to further letters from Sainsburys asking him to contact them, so ERS told Sainsburys to issue a notice of cancellation of the policy, which was subsequently cancelled (with a refund of £554.96, net of a £40.00 set-up fee). When Mr W became aware of the cancellation he contacted Sainsburys for a call back, but this didn't happen as his number wasn't included in the request. Sainsburys declined to refund the temporary cost of insurance taken out by Mr W as it was his responsibility to obtain alternative cover following the cancellation of his policy. As the cancellation marker had been removed by ERS, Sainsburys said they would match the renewal cost of the cover or review the price difference if Mr W had taken out more expensive cover elsewhere.

In recognition of the errors by their agent, Sainsburys awarded £75 compensation for the distress and inconvenience caused to Mr W.

Mr W then complained to this Service. He outlined the sequence of events and unhappiness at what had happened. He hadn't been told about the [unrecorded] claim and having the policy cancelled (while he was away on holiday) had caused distress and inconvenience. The cancellation marker was only removed (by ERS) when he contacted them on his return, at the beginning of May. He wanted a full explanation from Sainsburys about what happened and an apology for unfairly cancelling his policy. He also wanted compensation for the stress and inconvenience, having to obtain short-term and then annual cover. He wanted the £40 fee and £324.81 cost of temporary insurance reimbursed.

Our investigator upheld the complaint, concluding Sainsburys hadn't acted fairly. He noted Mr W advised Sainsburys of the incident in February 2024, so it was reasonable to assume they knew of the incident and his decision not to proceed with a claim. And this information would be reflected in his renewal invitation issued shortly afterwards. And having spoken to ERS and then Sainsburys, it was reasonable for him to conclude the issue had been resolved and his policy renewed without issues. But it hadn't, leading to the cancellation notice and then cancellation of his policy (while he was away). This, in turn, led to distress and inconvenience for Mr W, before he was able to resolve matters (with ERS) and have the cancellation marker removed from his insurance record.

To put things right, the investigator thought Sainsburys should refund the £40 cancellation fee (plus interest) and pay £500 compensation for distress and inconvenience.

Sainsburys disagreed with the investigator's view, providing further information. They said the numbers provided in the policy were for the insurer of the policy (which at the time of the incident was C, not ERS). And neither C nor Mr W had made Sainsburys aware of the incident. Sainsburys only became aware of the incident until the insurer of his policy changed from C to ERS, who found the incident recorded on the CUE. Sainsburys acknowledged their agent provided incorrect information to Mr W about his policy renewal and not mentioning the additional £71.93 premium as a result of the incident. They had also offered to price match any difference in premium Mr W may have had to pay when obtaining alternative cover. And the decision to cancel the policy was made by ERS as the insurer (not Sainsburys). And the £40 fee they'd levied was applied correctly as it was ERS's decision to cancel the policy.

In response to the points made by Sainsburys, the investigator issued a second view in which he recommended Sainsburys refund the £40 fee (with interest) and pay Mr W £250 compensation for distress and inconvenience.

Sainsburys maintained their disagreement and request that an Ombudsman review the complaint. They said after the call with them towards the beginning of April 2024, the next contact was at the end of that month, after the letters they'd sent giving notice – and then confirming – cancellation of the policy. Following the first call, letters were sent and by email in line with his chosen contact preferences. They couldn't be held responsible for the Mr W not receiving the letters because he was on holiday.

### **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.

My role here is to decide whether Sainsburys have acted fairly towards Mr W. As I set out earlier, Sainsburys are the administrator of the policy, while the respective insurers for the two policy years were, in order, C and ERS. As the insurers, C and ERS were responsible for handling and recording claims and making decisions about policy cancellation.

The key issue in Mr W's complaint is whether Sainsburys acted fairly and reasonably in handling the issue about the incident in February 2024 and the subsequent cancellation of his policy (at the request of ERS as the insurer).

Looking at the sequence of events in this case, I can see Mr W notified the incident when it happened in February 2024 and there is correspondence with A at that time about the repair process for Mr W's vehicle. From what I've seen, the notification was with C, although it appeared to Mr W it was with Sainsburys. It was C, as the insurer, who recorded the incident on the CUE.

I can then see a letter from Sainsburys in March 2024, confirming Mr W's policy had been renewed (from the beginning of April). Then a letter towards the end of March asking him to contact them, which it appears was the result of ERS asking them to contact Mr W to ask about the 'undisclosed claim. Mr W phoned Sainsburys who mentioned the incident (and undisclosed claim) but Mr W said he hadn't made a claim. Mr W was given a contact number for ERS and he spoke to ERS, thinking the matter resolved. ERS then told Sainsburys the claim was being handled by a third party insurer and would be recorded as notification-only or non-fault third party claim. ERS told Sainsburys an additional premium was due because of the claim being applied to the policy.

Sainsburys wrote to Mr W asking him to contact them, which he did at the start of the second week in April. In the call he asked if his policy had renewed and questioned the letter. This was the call in which the agent said his policy had renewed and to disregard the letter. However, the changes to the policy (and the additional premium) weren't applied. To do so, Sainsburys say they needed to speak to him, so they sent a further letter asking him to contact them.

However, from what I've seen, Mr W – thinking everything was fine with his policy following the call with Sainsburys – didn't respond (and went on holiday). Sainsburys accept, as they set out in their final response, Mr W was mis-advised by the call handler and so Mr W didn't think he needed to take any action. While on holiday, further letters were sent by Sainsburys giving notice of cancellation of the policy and then confirmation of cancellation of the policy. The cancellation letter cited 'Non-Disclosure of Material Fact' as the reason for cancellation, which might have affected the insurer's decision to provide cover, the level of premium or the

terms of the policy. The letter detailed a refund of £554.96 (net of a cancellation fee and time on cover)..

I can also see an email to Mr W, at the beginning of May, from what appears to be a separate insurance broker, referring to the markers applied (by ERS) following the cancellation and the impact on Mr W's efforts to secure alternative cover following his policy cancellation (the email refers to only one quote, for some £6,000).

Mr W also refers to a discussion he had with ERS in May, in which he says he was told Sainsburys didn't tell them about the incident in February 2024. There's a subsequent email from ERS to Mr W confirming they will remove the cancellation marker from the motor insurance database and that Mr W need not disclose it to any future insurer.

Taking all these events into consideration, I think there were miscommunications between C and Sainsburys about the recording of the incident. And when Mr W said he hadn't made a claim, he was thinking in terms of his making a claim under his policy – which he said he didn't want to do – rather than a claim from the third party insurer. And while I can't hold Sainsburys responsible for the actions of C in recording the incident on the CUE and the actions of ERS in seeking to find out more about the incident, and then asking Sainsburys to issue notice of cancellation and the cancellation itself, I do think Sainsburys were responsible for the incorrect information provided to Mr W in the second call at the beginning of April.

From that call, Mr W came away with the impression everything was fine with his policy and he didn't need to take any further action. Which would have meant he didn't see the subsequent letters (or the emails) that arrived when he was on holiday. So, notice of cancellation and then cancellation of the policy occurred, which he only found out on his return from holiday at the end of April. At which point, he had to take out alternative insurance and then spend time resolving the issue, which he did with ERS and they removed the cancellation marker.

However, had Sainsburys not given incorrect information to Mr W, I think it likely the matter would have been resolved sooner and most likely without the notice of cancellation and cancellation, with the consequences set out above. So, in this respect, Sainsburys didn't act fairly and reasonably.

As I've said, Sainsburys accept the error and awarded £75 compensation, They've also offered to cover any difference in premium which Mr W may have incurred (but say he hasn't responded to this offer). Taken with the cancellation being the decision of ERS (not Sainsburys) then I've concluded this is reasonable in the circumstances. The same would apply to the temporary cover taken out by Mr W, as the need for it was a result of the cancellation decision by ERS.

However, it is clear Mr W suffered distress and inconvenience from the cancellation, having to take out temporary cover and then resolve the issue with ERS leading to the cancellation marker being removed. Sainsburys maintain £75 compensation for the distress and inconvenience is fair but having considered the case – particularly the impact of the incorrect advice given by their agent in the key call – I think a higher award is justified.

Looking at the circumstances and the published guidelines on awards for distress and inconvenience by this Service, I think Sainsburys incorrect information caused Mr W more than the levels of frustration and annoyance to be expected, requiring a reasonable effort to sort out. I think an award of £250 (which is towards the upper end of the range we would expect) would be fair and reasonable.

For the same reason, I think it would be fair and reasonable for Sainsburys to refund the £40 fee they applied (with interest).

### **My final decision**

For the reasons set out above, my final decision is that I uphold Mr W's complaint. I require Sainsburys Bank Plc to:

- Pay Mr W £250 compensation for distress and inconvenience.
- Reimburse Mr W the £40 fee applied when the policy was cancelled (together with interest, at a rate of 8% simple, from the date they made the refund following the cancellation of the policy to the date they refund Mr W.

Sainsburys Bank Plc must pay the compensation within 28 days of the date we tell them Mr W 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 Mr W to accept or reject my decision before 13 May 2025.

Paul King  
**Ombudsman**