

The complaint

Ms J complains that Domestic & General Insurance Plc (DGI) unfairly cancelled her appliance protection policies without informing her that she'd forfeit loyalty rewards she'd accumulated when incepting those policies.

What happened

Ms J held several appliance protection policies with DGI, which insured her appliances against mechanical or electrical breakdown, labour charges and accidental damage. Some of the insured appliances enabled Ms J to accrue rewards under a SmartCare Loyalty scheme, which is administered by a company that I'll refer to as "W" here.

On 15 November 2024, Ms J contacted DGI to discuss her policies with it. She stated, as the cost of the policies was too high, she wanted to cancel her policies with DGI.

DGI states that operative Ms J spoke with informed her that if she cancelled her policies, she'd forfeit any rewards she'd accrued under the SmartCare Loyalty scheme. It was explained that rewards could be redeemed on the scheme's website provided the policy remained live. DGI said Ms J informed the operative that she'd hold off cancelling her policy until she'd reviewed the scheme's website to research the rewards. She was provided with a reference number to access the website. No action was taken to cancel the policies during this telephone call.

On 10 December 2024, Ms J contacted DGI again to further discuss her policies. She spoke with the retentions team and stated she'd found it difficult to redeem her SmartCare rewards using the scheme. She was informed the rewards could be used to receive a discount of up to 50% off appliances specified by W. Ms J stated she wanted to cancel her policies because she held household insurance. But the operative she spoke with explained that appliance protection provided more additional cover.

During this call, Ms J was offered a discount in respect of her policies. She agreed to incept new plans at the discounted rate offered. She then asked about the status of her rewards and was informed they'd been reset as a result of new policies having been set up.

Later that day, Ms J recontacted DGI to cancel the policies she'd taken out and complain about her rewards being reset. She stated she hadn't been informed that, in cancelling her policies in favour of the discounted policies, she'd forfeit her SmartCare rewards. She said she wouldn't have amended her policies had she been aware this would happen.

DGI investigated Ms J's concerns and issued its final response to her complaint on 21 December 2024. It agreed that the implications of cancelling the policy weren't made as clear as it would have like to Ms J during her cancellation call with it on 10 December. It upheld her complaint about that and offered to pay £50 in compensation to recognise the trouble and upset that had caused.

Being dissatisfied with how DGI had dealt with her complaint, Ms J referred it to our service. Our investigator assessed the evidence provided and empathised with what had happened.

But they didn't recommend upholding this complaint. They thought DGI had acted fairly in how it had offered to resolve this complaint, and they didn't direct it take further action.

DGI accepted our investigator's view of this complaint. But Ms J rejected it and requested an ombudsman decision. So, I've been asked the fairest way to decide this complaint.

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'm sorry to hear about the difficulties Ms J experienced here. I know she feels very strongly about this matter, and I appreciate the reasons she brought her complaint to our service. However, while I sympathise, the issue that I must determine is whether DGI made a mistake, or treated her unfairly, such that it needs to now put things right.

This service is an informal dispute resolution service. When considering what's fair and reasonable, I'm required to take into account a number of matters, which include relevant law and regulations, regulators' rules, guidance and standards, codes of practice, the terms and conditions of any insurance policy and, where appropriate, what I consider to have been good industry practice at the relevant time. I'm not limited to the position a court might reach.

I've read and considered all the information provided by Ms J and DGI, but I'll concentrate my decision on what I think is relevant to decide the complaint. If I don't comment on any specific point, it's not because I've failed to take it on board and think about it, but because I don't think I need to comment on it to reach what I think is the right outcome.

As I mentioned in the background of this complaint, Ms J has held appliance insurance with DGI for various appliances for a number of years. At least six of the appliances Ms J insured with DGI were eligible to accrue rewards via the SmartCare Rewards scheme. The other appliance she insured with DGI was ineligible for the scheme.

The SmartCare Rewards scheme is a loyalty programme that's offered to DGI plan holders via warranty schemes that apply to certain appliance manufacturers. For every £1 spent on protecting the eligible appliance, £1 is added to a customer's SmartCare Rewards.

I've seen evidence that, over the years, Ms J has accrued £2,147.44 in rewards with SmartCare's Reward loyalty Scheme. I recognise that these rewards have taken time to accrue. And I can understand why Ms J would want to derive the benefit of the scheme and not forfeit the rewards she's earned.

As our investigator explained to Ms J, the SmartCare Rewards scheme isn't provided by DGI. It's administered and provided by W, which is independent of DGI. I understand that Ms J has concerns that the SmartCare Rewards scheme is complex and confusing. But I can't hold DGI responsible for how another business might operate a scheme it chooses to offer. This would have to be taken up by Ms J directly with the scheme provider, W.

The terms and conditions of the SmartCare Rewards scheme outline in clear and unambiguous language how rewards can be redeemed by a customer. They state rewards can only be redeemed via its website, which is operated by W. So, DGI has no control over the availability or provision of appliances redeemed under the scheme.

Ms J appears to believe that the rewards she'd accrued entitled her to credit of up to £2,147.44 against appliances. But that isn't how the scheme works. The terms explain that *"qualifying Customers may only redeem SmartCare Rewards against a certain maximum*

percentage of the overall cost of an appliance made available for purchase on the website www.smartcarerewards.co.uk. This maximum percentage varies by appliance. The percentage will not be less than 10% or more than 50% of the appliance's value. So, a customer will always have to pay at least half the value of the appliance they wish to redeem their rewards against.

Here, Ms J is unhappy that she's forfeited her rewards and is therefore unable to use them against appliances on SmartCare's website. But the terms of the scheme clearly explain that *"in the event that a Qualifying Customer terminates or cancels a D&G Plan for any reason, the Qualifying Customer may not be entitled to redeem SmartCare Rewards issued in respect of the cancelled D&G Plan and any already issued/credited SmartCare Rewards may become void."*

I'm satisfied that the information presented by the SmartCare Rewards scheme clearly outlines the restrictions of the scheme and explains that, in order to benefit, a customer must remain a DGI customer. This information would have been available to Ms J to check either on perusing the scheme terms or in looking at SmartCare's website, which states that *"should a plan be terminated or cancelled then you will not be able to redeem SmartCare Rewards issued in respect of that plan and any rewards already issued will become void"*.

Ms J states she wasn't informed by DGI that she'd forfeit her rewards on cancelling her policies when speaking with its operatives over the telephone. So, I've carefully listened to recordings of the telephone call Ms J made to DGI on 15 November and 10 December 2024 to assess whether she was misled.

During Ms J's telephone call with DGI on 15 November 2024, she refers to having cancelled old policies with DGI because she no longer wanted the cover they'd offered and expresses concern that direct debits for those policies had debited her account. The DGI operative informs Ms J that funds debited her account because she'd set up new policies on 20 October 2024. They explain clearly to Ms J that if she cancels those policies, she'll forfeit rewards earned via the SmartCare Rewards scheme. The operative goes on to state that if Ms J wants to ensure she retains her rewards, she'll need to keep the policies in place. Ms J confirms that she'll hold off cancelling her policies so that she can review the scheme's website to research the rewards. The operative provides Ms J with a reference number to access the website. No action was taken to cancel the policies during this telephone call.

Ms J asserts that she should have been given written confirmation that cancelling her DGI plans would result in the loss of her rewards. But I'm not persuaded that was necessary. This is because, based on the nature of discussions between Ms J and DGI's operative, I'm satisfied that helpful information was provided about how the rewards scheme operates. I'm persuaded Ms J was explicitly made aware that if she cancelled her DGI policies she'd forfeit any rewards earned under W's scheme.

During the telephone call, Ms J specifically referred to holding off the cancellation of her policies so she could research the scheme further. I'm satisfied she had opportunity to undertake that research and make any additional enquiries she felt she needed to explore about how the scheme operated.

Having heard a recording of the initial telephone call Ms J made to DGI on 10 December 2024, I bear in mind that Ms J was already aware, at that time, that she'd forfeit her SmartCare loyalty rewards if she cancelled her policy. That included cancelling a policy in order to incept a cheaper policy plan, which is what Ms J asked DGI to do during this call.

During the call on 10 December 2024, Ms J referred to experiencing financial constraints due to the loss of her employment and confirmed she held household insurance, which she

believed provided cover for her appliances. Ms J also referred to difficulties in attempting to redeem her rewards via SmartCare's website, so she felt these were of no benefit to her. I'm persuaded, overall, that the purpose of Ms J's telephone call with DGI was that she wanted to cancel her policies with it.

The operative Ms J spoke with helpfully informed her that her household insurance would only provide cover for accidental damage whereas DGI's policies would offer more extensive benefits such as cover for call out fees and breakdown in addition to accidental damage. They confirmed that rewards could be redeemed via SmartCare's website. And, acknowledging the financial pressures on Ms J, the operative offered a discount in respect of her policies. Ms J agreed to incept new plans at the discounted rate offered. But this meant DGI had to cancel Ms J's existing policies and set up new cheaper plans on her behalf, which the operative informed her of and she authorised.

From the recording, it's clear that Ms J asked about the impact of cancelling her policy on her rewards after she'd already instructed the operative to set up her new policies. At this point she was informed that her rewards had been reset as a result of cancelling the previous policies. DGI accepted that this was an oversight, which was the basis of it upholding her complaint.

I agree that the operative Ms J spoke with on 10 December 2024 should have informed her, prior to incepting a new and cheaper policy, that her rewards would potentially reset and that to avoid this she'd need to keep her more expensive policies in place. However, I'm mindful that Ms J was already aware from a previous telephone discussion with DGI that cancelling her policy would result in her forfeiting her rewards and that, in order to redeem the rewards, she'd need to ensure her policies were kept in place. Ms J would also have been aware of this from the scheme's terms and the information on SmartCare's website.

It's clear that these rewards were important to Ms J and, if she was uncertain about whether they'd be impacted by making changes to her policy provision, she ought to have checked her understanding on forfeiting rewards before asking DGI to cancel her policies. But she didn't do that until after she instructed it to cancel her policies.

Ms J asserts that it was disproportionate for her to lose her rewards because she took out a cheaper policy plan with DGI. But, as I've explained already, the scheme terms are clear that rewards may be forfeited on cancellation of a policy, and I'm not persuaded Ms J was misled about that here.

DGI offered to pay Ms J £50 in compensation because the operative didn't inform her that her rewards would be reset before she instructed them to cancel her policies. It accepts that this constituted poor service, which I agree with. But I'm satisfied Ms J was already aware that her rewards would be forfeited on cancelling her policies. That said, DGI erred in not reminding Ms J and that caused distress and inconvenience.

Our investigator was satisfied that £50 in compensation was appropriate to recognise the poor service that Ms J received here. But it's clear she disputes that. So, I've considered whether the compensation DGI offered to resolve this complaint is fair and reasonable.

Our service isn't here to punish businesses. To put matters right, I'd have asked DGI to make an appropriate award of compensation to reflect the trouble and upset caused. When deciding what potential compensation to award our service must take two things into account: financial loss as a result of any business error and non-financial loss, including inconvenience and upset.

In relation to financial loss, Ms J has referred to having lost £2,147.44 as a result of what

happened. But I'm satisfied that she hasn't suffered financial loss here because SmartCare rewards have no monetary value. They can't be exchanged for cash and can only be used to redeem a discount against a specified appliances listed on SmartCare's website.

Ms J has also informed our service that since cancelling her policies, she's suffered financial detriment because several appliances subsequently broke down. She says her DGI policies would have covered a repair or replacement of the faulty appliance. But I can't ask DGI to cover the cost of repairing or replacing any faulty appliances here because it's no longer providing appliance protection as a result of Ms J instructing it to cancel her policies. It follows that I'm not making an award here for financial loss.

Turning now to awards for non-financial loss there isn't a set formula that we use to calculate awards for particular errors. It's my role to consider what impact DGI's actions had on Ms J and to decide, within guidelines set by our service, what an appropriate amount of compensation might be.

Having had regard to these guidelines, I'm persuaded that £50 is a reasonable amount of compensation that reflects the trouble and upset Ms J would have experienced here. It's consistent with awards our service has made in similar circumstances and it's what I'd have suggested had no offer been made. So, I won't be requiring DGI to increase the amount it's already offered. I understand this has already been paid to Ms J, so I don't require DGI to take any further action to resolve this complaint.

I recognise that Ms J feels very strongly about the issues raised in this complaint and I've carefully considered everything she's said. But for the reasons outlined, I'm satisfied DGI has acted fairly and reasonably here. So, I won't be upholding Ms J's complaint or asking DGI to take any further action. This now brings to an end what we, in trying to resolve Ms J's dispute with DGI, can do for her. I'm sorry we can't help Ms J further on this.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms J to accept or reject my decision before 10 October 2025.

Julie Mitchell
Ombudsman