DRN-5645689

The complaint

Mr and Mrs G have complained that the broker Sainsbury's Bank Plc unfairly cancelled Mr G's car insurance policy on behalf of the insurer.

Mr and Mrs G are being represented in their complaint by their daughter Ms W.

What happened

In October 2024 Mr G bought a car insurance policy online through a comparison website. He paid for the policy in full.

In December 2024 the insurer of the policy contacted the broker, Sainsbury's to say it had identified a previous claim which Mr G hadn't disclosed when he bought the policy. The insurer said it would still provide cover, but asked Sainsbury's to recalculate the annual premium.

On 13 December 2024 Sainsbury's sent an email to Mr G asking him to contact it about his policy. It didn't hear from Mr G and so on 31 December 2024 it sent Mr G a letter by post giving him seven days notice of cancellation.

On 10 January 2025 as it hadn't heard from Mr G, Sainsbury's cancelled his policy on behalf of the insurer and wrote to him to confirm its actions.

Mr and Mrs G say the first time they were aware of a problem with the policy was on 12 January 2025. Mrs G said there was a problem with the car and she had logged into the online portal to check Mr G's breakdown recovery part of his policy.

When Mrs G contacted Sainsbury's, it was too late as the policy had been cancelled on 10 January 2025. Mr and Mrs G say they received the letters dated 23 December 2024 and 31 December 2024 by post after the policy had cancelled.

Ms W complained to Sainsbury's. She said Mr G didn't receive an online notification to access the portal. In any event, she didn't think this was an appropriate way to communicate with her parents. She explained that her mum handles their online matters and insurance calls but they find it increasingly difficult to deal with navigating around IT issues.

Ms W said her parents had to print the emailed letters sent through the online portal in order to read them.

In February 2025 Sainsbury's said it had correctly followed the cancellation process as it didn't hear from Mr G. But it said it shouldn't have charged its broker cancellation fee of £55, so it provided a refund for this amount in addition to the pro rata refund already provided.

Sainsbury's said it wasn't aware of any issues with the online portal and so couldn't have offered assistance before Mrs G contacted it. It said it issued letters dated 23 December 2024 and 31 December 2024 by email and post.

For the distress and inconvenience caused by incorrectly keeping the £55 fee, it offered Mr G £25, which I understand was declined.

Ms A asked us to look at her parents' complaint. One of our Investigators didn't think Sainsbury's had reasonably applied its cancellation clause fairly. As the insurer said the policy could continue with an additional premium, the Investigator didn't think it fair that Sainsbury's moved to cancel the policy. He found Sainsbury's hadn't given Mr G the opportunity to pay an additional premium in order to prevent his policy from being cancelled.

The Investigator also took into account that the email sent on 23 December 2024 gave Mr G seven days to call Sainsbury's over the Christmas period. He didn't find Sainsbury's decision to move to cancellation within such a short period of time – and at the time of year – was fair especially given the insurer had advised that cover could continue.

The Investigator considered the relevant law, the Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA) and found there was no dispute that Mr G had carelessly misrepresented a previous claim from August 2023. Mr G said he found the online application difficult and agreed he had failed to include it.

The insurer confirmed it would have provided insurance for a higher premium, and the Investigator found Sainsbury's hadn't done enough to allow Mr G the opportunity to pay this. So he recommended the following:

- For Sainsbury's to provide Mr G with a letter to say the cancellation was led by him – as cancellations by a business have significant consequences on future premiums and the ability to buy insurance. Mr G can they provide this letter to his current insurer to consider recalculating the premium it has charged him, which is much more than he was previously paying.
- To pay Mr G £250 compensation for the distress and inconvenience it caused.
- To refund the broker fee it charged when it set up the policy of £40 as this was retained by Sainsbury's when it cancelled the policy.

Ms W on behalf of Mr and Mrs G accepted the Investigator's findings.

Sainsbury's didn't agree. It said it is unfair to penalise it for an error made by Mr G. It says it made sufficient contact with Mr G prior to cancelling the policy and it was not made aware of any vulnerability before it did so.

Sainsbury's explained that the insurer decides how to record a cancellation of a policy.

Sainsbury's said it could not move to increase the premium under Mr G's policy without first discussing it with him. It says it needed Mr G's agreement to increase the premium before it did so. It isn't responsible for any delay in the letters by post not being received by Mr G. It maintains its position that Sainsbury's acted correctly with the information it had.

So the case has been passed to me to decide.

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.

Sainsbury's are the broker and it and the insurer have confirmed Sainsbury's led the cancellation. It acts on behalf of a panel of insurers including the provider of Mr G's policy.

When a business cancels a policy, the impact can be harsh for a customer. Sainsbury's say it is the insurer who records a cancellation, not it. I can see from Mr G's complaint about the insurer that they have recorded the cancellation on their internal records only.

When a business cancels a policy, we think it should have given reasonable notice and communicated using two methods. In this case, Sainsbury's communicated by email and letter to Mr G. I agree with Sainsbury's that it isn't responsible for any postal delays. I also agree with Sainsbury's that – not being made aware of any vulnerabilities – meant it didn't know to make any reasonable adjustments to assist Mr G. I understand from what Ms W has told us that Mrs G bought the policy online. There isn't anything to show Sainsbury's that it should have called Mr G as well as email and write to him.

However, Sainsbury's sent an email on 23 December 2024 to Mr G asking him to contact it about his policy within seven days. It didn't provide any details as to why. And this was over the Christmas period.

The reason why Sainsbury's contacted Mr G was because the insurer identified misrepresentation. As the Investigator explained, where misrepresentation occurs, the relevant law which applies is CIDRA. So I've taken this into account in this case.

There's no dispute that Mr G failed to take reasonable care in declaring the previous claim when he applied for this policy.

Where misrepresentation is discovered, the insurer may change the terms of the policy and/or reduce proportionately the amount to be paid on any future claim. It must give notice to that effect to the consumer - or may instead cancel the policy altogether by giving reasonable notice to the consumer. If the insurer tells the consumer it wants to change the terms of the policy and/or reduce proportionately the amount to be paid on any future claim, the consumer has the right to cancel the policy by giving reasonable notice to the insurer. If either party cancels the policy, the insurer must refund any premiums paid for the cancelled cover in relation to the time left on the policy.

Sainsbury's moved to cancellation, when the insurer was able to continue to provide cover. I find this was unfair.

Mrs G called Sainsbury's as soon as she was aware there was a problem. Mr G didn't receive a letter from Sainsbury's until 12 January 2025, dated 23 December 2024. By then it was too late as Sainsbury's had arranged cancellation on 10 January 2025.

Mr G told us that he was unhappy with the amount of refund received when Sainsbury's cancelled the policy. Sainsbury's retained its broker fee of £40, outside of the £55 cancellation charge it later refunded. As I don't think Sainsbury's acted reasonably in moving to cancellation in this case, I think a fair outcome is for Sainsbury's to refund the broker fee of £40. Mr G has had to buy a policy elsewhere sooner than on balance I think he needed to, so has been subject to that business' associated fees too.

I think it is correct that Mr G paid for the days he was insured.

I think Sainsbury's should pay Mr and Mrs G £250 compensation for the distress and inconvenience caused as I think it acted unreasonably. It's clear that the impact of discovering the policy had been cancelled, not being given the opportunity for the policy to continue, and having to pay a much higher premium for cover elsewhere, caused worry and upset for Mr and Mrs G.

The insurer is responsible for adding a cancellation market against a customer's record. I understand the insurer has confirmed it has not added an external marker, but has marked the cancellation against its own records.

My final decision

My final decision is that I uphold this complaint. I require Sainsbury's Bank Plc to do the following:

- Provide a letter to Mr and Mrs G confirming the policy was cancelled by the insurer due to an error by Sainsbury's.
- Refund its £40 broker fee.
- Pay Mr and Mrs G £250 compensation for the distress and inconvenience caused.

Sainsbury's Bank Plc must pay the compensation within 28 days of the date on which we tell it Mr and Mrs G accept my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision to the date of payment at a simple rate of 8% a year.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G and Mrs G to accept or reject my decision before 19 September 2025.

Geraldine Newbold
Ombudsman