

## **The complaint**

Mr W complains that Sainsbury's Bank Plc ("Sainsburys") unfairly cancelled his policy and pursued him for outstanding fees, despite the fact that there was an error by his bank which meant payments weren't processing correctly.

## **What happened**

Mr W took out a home insurance policy online with Sainsburys in January 2025. The first instalment of the policy premium was due on 22 February 2025 but was unsuccessful.

Sainsburys sent correspondence to Mr W to let him know the payment hadn't been made. But it eventually cancelled his policy on 20 March 2025. Mr W complained. He said his bank had made an error which meant the payment wasn't made.

In its response to his complaint, Sainsburys said it had contacted Mr W by letter, by email, and by text message to his mobile phone to let him know about the missed payment – but it had received no response from him. It said it had told him that if the outstanding balance wasn't paid, he'd incur a £20 missed payment fee in line with the terms and conditions of his policy. It said he was also advised that payment would need to be made in full by 19 March 2025 or the policy would be cancelled.

Mr W didn't accept Sainsburys' response. He said it was all his bank's fault and not his fault, so he believed he shouldn't be liable for the charges. He also raised concerns that as the debt remained unpaid, his account had been passed to debt collectors in an attempt to recover the outstanding amount.

So Mr W referred his complaint to this service. Our Investigator considered the complaint, but didn't think it should be upheld. She said Sainsburys had done everything we'd expect it to in the circumstances.

As Mr W didn't agree with our Investigator's opinion, the complaint has now come to me for an Ombudsman's decision.

## **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.

As this is an informal service, I'm not going to respond here to every point raised or comment on every piece of evidence Mr W and Sainsburys have provided. Instead, I've focused on those I consider to be key or central to the issues in dispute. But I would like to reassure both parties that I have considered everything submitted. And having done so, I'm not upholding this complaint. I'll explain why.

The insurance industry regulator, the Financial Conduct Authority (FCA), has set out rules and guidance about how insurers should act. These are contained in the 'Insurance: Conduct of Business Sourcebook' (ICOBS). Whilst ICOBS doesn't specifically mention what

an insurer should do when a policyholder misses a payment, there are various overarching principles insurers should abide by, which are mentioned in the rules. I've kept these in mind while considering this complaint together with what I consider to be fair and reasonable in all the circumstances.

ICOBS 2.5.1R deals with the principle of treating customers fairly. This requires insurers to act honestly and professionally at all times, and I'm satisfied that this means any action following missed payments and the application of any charges should be made clear.

So I've considered what Mr W's policy says, at the section *"Our right (your insurer and/or Sainsbury's Bank) to cancel your policy"* and it says the following:

*"Your insurer and/or Sainsbury's Bank has the right to cancel your policy at any time by giving you 7 days' notice in writing. We or your insurer will send a cancellation letter and/or email to the latest address/email address we have for you and will set out the reason for cancellation in the letter. We may charge a fee for doing this however, neither we nor your insurer will ever cancel your policy without a valid reason for doing so. Valid reasons may include but are not limited to the following:*

- Where we have been unable to collect a premium payment. In this case we'll contact you in writing requesting payment by a specific date. If payment is not received by that date we'll issue you with a 7 day notice of cancellation in writing and subsequently cancel your policy with immediate effect following these 7 days and notify you in writing that such cancellation has taken place"*

In addition to this, the correspondence Sainsburys sent to Mr W also clearly set out that the February payment was overdue and that his policy would be cancelled if the payment wasn't made. And at the start of the policy period, on 21 December 2024, Mr W was sent his welcome pack which said:

*"2.3 If you miss one repayment we can terminate this credit agreement and your cover under your insurance policy. We may also take legal action to recover the outstanding amount due under this credit agreement, the interest payable, and our costs."*

I can see from the evidence provided, that a BACS rejection letter was issued on 26 February 2025 after the payment due on 22 February was missed. A text message was also sent to Mr W on 27 February 2025 and another letter was sent to Mr W on 7 March 2025, followed by a text message on 8 March 2025. Mr W was given clear warnings with plenty of notice that the policy would be cancelled if payment wasn't received by 19 March, so I don't think it was unreasonable for Sainsburys to cancel the policy on 20 March.

Mr W was also told, before and after the cancellation of his policy, that there was an outstanding amount due which was payable by him for the unpaid time on cover. He was also advised of a £20 missed payment fee and £30 broker setup fee before his policy was cancelled and in good time for him to make the outstanding payment by other methods. These fees and charges were also included in the welcome pack sent to Mr W on 21 December 2024. He was also given information to assist him in case of financial difficulty.

Sainsburys confirmed that the cancellation was only recorded internally on its own systems and would not need to be declared on any future insurance applications, which I think is fair as this would've provided reassurance that there wouldn't be a detrimental impact on Mr W for the purposes of obtaining alternative cover, as a result of his non-payment.

Overall, I'm not persuaded that Sainsburys has acted unfairly. I appreciate what Mr W has

said about the missed payment being caused by his bank, but I can't fairly hold Sainsburys responsible for that. Mr W can take the matter up with his bank directly if he wishes. I'm satisfied Mr W had the opportunity and enough time to make the required payment before his policy was cancelled and before charges were added. So I'm not going to require Sainsburys to do anything differently here, including the action it is taking in line with the policy terms and conditions to recover Mr W's debt.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 5 September 2025.

Ifrah Malik  
**Ombudsman**