

## **The complaint**

Mrs L complains about Tesco Personal Finance Limited trading as Tesco Insurance (Tesco) automatically renewing her motor insurance policy, she says without her consent. She maintains she never agreed to the policy automatically renewing.

References to Tesco in this decision include their agents.

This decision covers Mrs L's complaint brought to this Service in April 2025, shortly after Tesco issued their final response to a complaint Mrs L brought to them. So, this decision covers events up to Tesco's final response. The latter didn't consider issues which Mrs L has subsequently raised about Tesco passing the balance owed on cancellation to a debt collection agency. So, those issues are also not covered in this decision and Mrs L would need to raise them with Tesco in the first instance.

## **What happened**

Mrs L had a motor insurance policy with Tesco, taken out in March 2024, at a cost of £682.44. The policy automatically renewed in March 2025, at a premium of £571.20 (although Tesco were unable to collect payment, so asked her to call them to make payment within seven days, after which they issued payment reminders). Mrs L said she never agreed to the policy auto-renewing. She also said a 'renewal invitation' email sent by Tesco in February 2025 was diverted to her spam folder. Mrs L said the wording was ambiguous as it implied renewal was optional.

Mrs L tried to cancel the policy through Tesco's website, but an error message forced her to call Tesco, which she said presented an unnecessary barrier. She called in April 2025 to tell them she'd taken out a new policy elsewhere (at lower cost). Tesco said they might be able to backdate her policy if she could provide evidence of the new policy (so that she wasn't dual insured) but she declined to do so. Tesco then processed cancellation of her policy, treating it as being initiated by Mrs L. Cancellation generated an outstanding balance of £112.60 (a combination of £62.60 for the time on cover and a £50 cancellation fee).

Mrs L didn't think the renewal process had been fair, nor that Tesco wanted to charge her £112.60 for cancelling her policy. So, she complained.

Tesco issued a final response in April 2025, which didn't uphold the complaint. They said when she took out the policy in March 2024, accepting the policy terms online, she was agreeing to automatic renewal of the policy and that Tesco would use the account details she had most recently provided for the renewal of the policy. Tesco also asked Mrs L to call them if she didn't want to accept the renewal. Tesco also referred to the policy booklet information on renewal of the policy, including the automatic renewal of the policy. Tesco said they made Mrs L aware of the automatic renewal when they sent her documents by her preferred method of contact (email). They sent the renewal invitation on 5 February 2025, followed by a reminder on 15 February 2025, prior to renewal on 4 March 2025. They explained payment would be taken from her account and asked Mrs L to call if she didn't want to renew the policy. As they hadn't heard from Mrs L, they followed their process in renewing the policy.

While Mrs L felt a text message or call to her would have been more efficient, email was her preferred method of contact for documents. And Tesco informed Mrs L about the renewal process on several occasions. While the renewal invitation had gone to Mrs L's spam folder, that wasn't something over which Tesco had any control and was determined by Mrs L and her email provider. Nor had Tesco received any indication their email was undeliverable. In offering automatic renewal (unless the policyholder said otherwise) Tesco were also minimising the likelihood of a policyholder inadvertently becoming uninsured. While the renewal price wasn't as competitive as the alternative policy Mrs L had taken out, Tesco had encouraged Mrs L to shop around. As Mrs L had secured cover elsewhere, she could ask Tesco to backdate her policy with them and issue a refund for the period she had been dual insured. Otherwise, the cancellation balance of £62.60 would still be due for time on cover (Tesco having already written off £50 of the initial cancellation balance as Mrs L had experienced an error on her Insurance Account and hadn't been informed of an outstanding balance when she contacted them).

Mrs L then complained to this Service. She said she hadn't agreed to automatic renewal of her policy and their 'renewal invitation' had gone to her spam folder and was ambiguously worded to imply renewal was optional. No other forms of reminder were issued. She thought Tesco's renewal process breached the Financial Conduct Authority (FCA) requirements under the Insurance Code of Business Standard (ICOBS) 6.1.2 (lack of clear disclosure) and the Consumer Rights Act 2015 (unfair terms) as upheld in a court case (Tesco Underwriting v Achunche 2016). She also thought it unfair for Tesco to charge £62.60 to cancel the policy. Having to make phone calls breached the FCA's Consumer Duty (Principle 2A) which required accessible cancellation methods (something also included in a previous decision issued by this Service).

She said the renewal of the policy cost her £571.20, when she'd taken out an equivalent policy elsewhere for £401.55 (so a loss of £169.65). This additional burden had strained her finances, affecting her family's financial stability. She'd spent significant time resolving matters and this had affected her mental health. She wanted a refund of the £571.20 charged for the policy renewal, waiving of the £62.60 cancellation charge and compensation of £150 for time spent and distress suffered.

Our investigator didn't uphold the complaint. She noted the policy welcome pack issued when Mrs L took out the policy in 2024 stated the policy would automatically renew the following year. Evidence from Tesco indicated Mrs L viewed the policy documents through the online portal the day they were issued when the policy was taken out. So, it should have been clear to Mrs L the policy would automatically renew, unless she opted out. Tesco had also provided evidence they issued a renewal invitation in February 2025 and a reminder ten days later. Both were received, albeit in Mrs L's spam folder. But email was Mrs L's preferred contact method and Tesco couldn't be held responsible for the emails they sent going into Mrs L's spam folder.

The investigator concluded Tesco had provided the information she needed to make an informed decision on her policy and Tesco had handled the renewal process fairly. Nor had they taken the renewal premium from Mrs L's account. As Mrs L called Tesco to cancel the policy more than 14 days after it renewed, a £50 cancellation fee was applied – although this had been waived by Tesco, in recognition of the online difficulties experienced by Mrs L. It was fair for Tesco to charge for the time Mrs L was on cover and to offer to backdate the policy to when Mrs L took out her new policy.

The investigator also considered the requirements of the FCA's Consumer Duty. He thought Tesco had provided support and help to enable Mrs L to pursue her financial objectives. The wording of the renewal invitation was clear and not misleading. It outlined the renewal

process and what Mrs L could do if she didn't wish to proceed. Tesco had also notified Mrs L of the renewal, with a reminder and more than one route to cancel the policy (online or by phone). And they had waived the cancellation fee that would otherwise apply.

Mrs L disagreed with the investigator's view and asked that an ombudsman consider the complaint. She thought the investigator's view contained material errors of fact and law. She said Tesco admitted their communication was not clear and hadn't reached out through multiple methods (such as text message, post or follow-up calls). They had also accepted non-compliance with FCA ICOBS 6.1.2 (clear communication). FCA ICOBS 6.1.2 also required insurers to ensure notices were received, not just sent. She said the Welcome Pack issued when the policy was taken out in February 2024 was never provided to her and the policy booklet didn't contain any reference to automatic renewal terms.

She also maintained that use of the term 'invitation' implied optionality (while the automatic renewal terms weren't clear or prominent). This violated Schedule 2 of the Consumer Rights Act 2015. She also maintained the cancellation process breached the FCA's Consumer Duty (Prin 2A) requiring ease of cancellation. Forcing customers to call after a website failure constituted a 'barrier to exit'. The Consumer Duty required firms to "enable and support retail customers to pursue their financial objectives" and to avoid "unreasonable barriers". Forcing customers to call after online cancellation failures clearly created such barriers.

She also maintained the £62.60 charge for time on cover was unenforceable as it was caused by Tesco's faulty renewal, breaching FCA principles (ICOBS 7.2.2R (which only permitted pro rata charges for requested coverage. When a consumer cancelled a policy, an insurer could only be required to pay for the service actually provided by the firm in accordance with the contract and the amount had to be in proportion to the extent of the service provided. It also prohibited requiring payment if the firm commenced performance without the consumer's prior request. So, the charge should be waived.

Mrs L also felt harassed by Tesco's pursuit of the cancellation balance through a debt collection agency, causing her mental stress. Tesco was required to suspend debt recovery for disputed debts. It also breached the FCA Consumer Duty Prin 2A, requiring firms to avoid causing foreseeable harm. And the debt collection agency approaches breached Consumer Protection Regulations (Regulation 7 concerning aggressive commercial practices).

### **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 Tesco have acted fairly towards Mrs L.

The key issue in Mrs L's complaint against Tesco is their automatic renewal of her policy, something Mrs L said she hadn't agreed to and which she considers unfair on several grounds. Tesco say they acted fairly, and Mrs L agreed to automatic renewal when she took out the policy.

In following the sequence of events in this case, I've first considered whether Mrs L should reasonably have been aware of her policy being set up to renew automatically in March 2025, having been inceptioned in March 2024.

In their final response, Tesco refer to the following policy booklet wording about renewal of the policy, including automatic renewal:

*"If your policy renews automatically and your details have changed or you do not wish to renew your policy or any of your optional extra covers, you must inform the*

*administrator before your renewal date, otherwise your policy will be renewed on the terms described in your renewal invitation.”*

I've also noted the policy welcome pack issued to Mrs L, dated February 2024 when she took out the policy includes the following statement on page 2 of the covering letter:

***“Policy Renewal***

*Your policy will automatically renew next year, and we'll send your renewal invite about 21 days before your renewal date.*

*Don't forget you can opt-out of automatic renewal at any time by simply logging into **Your Insurance Account** and clicking Manage renewal, or you can just give us a call. Opting out means you need to take action or you'll be left without cover”*

I think this makes it clear the policy would automatically renew and a renewal invitation would be issued shortly before the renewal date. The policy renewal date being 4 March 2025, then Tesco's initial renewal invitation issued on 5 February 2025 was in line with the statement in the policy welcome pack, being issued four weeks before the renewal date. If Mrs L had not wanted the policy to renew automatically, the statement also gives her the option to opt-out of automatic renewal.

Similar wording about automatic renewal and the ability to opt out is also included in the Insurance Product Information Document (IPID) issued as part of the welcome pack, summarising the important features of the policy. And the renewal invitation issued in February 2025 also referred to the policy automatically renewing and that Mrs L could opt out should she wish.

Mrs L says she wasn't provided with the welcome pack, the implication being she wasn't aware the policy would automatically renew. However, as noted earlier, Tesco have provided evidence Mrs L did access the policy documents online on the day her policy was taken out. So, it's reasonable to conclude she would – or should – have been aware of the policy automatically renewing the following year and that if she was unhappy at that arrangement, she could opt out. And the above wording indicates she could do this online or by calling Tesco. It was also her responsibility to familiarise herself with the terms and conditions of the policy and ensure that they met her needs and requirements.

So, I've concluded Mrs L should reasonably have been aware the policy was set up to renew automatically and to expect a renewal invitation around February 2025. And she had the option to opt out of automatic renewal. Having taken out the policy in March 2024, it would also be reasonable to expect Mrs L to know the policy would be up for renewal the following March and to expect a renewal invitation accordingly.

Moving on to the issue of the policy renewal in 2025, as I've set out earlier, Tesco issued a renewal invitation to Mrs L on 5 February 2025 (and a further reminder ten days later). They issued both by email, which was Mrs L's preferred method of communication. That being the case, I've concluded it was reasonable for them to do so, as it was in line with Mrs L's expressed communication preference.

Mrs L says the emails went to her spam folder, meaning she didn't see them. However, the emails were clearly received by Mrs L and there was no reason for Tesco to think otherwise (as they were received, there wouldn't have been an undeliverable message or other indication to Tesco their communication had been unsuccessful). So, Tesco had no reason to think the emails hadn't been received (and they were received). That being the case, it

wouldn't have been necessary for Tesco to send the renewal invitation (or alert Mrs L to it having been sent) through another method.

While the emails containing the renewal invitation went to Mrs L's spam folder, that's not something for which Tesco can be held responsible. That would be the responsibility of the email provider and/or Mrs L, in terms of the settings of her email account. Nor would it relieve Mrs L of checking her email account, including individual folders.

Mrs L also raises a specific point about the term 'invitation' within the renewal invitation documentation implying optionality (and that the automatic renewal terms weren't clear or prominent). I've already concluded the automatic renewal terms were clear and they were prominent in the welcome pack and the IPID.

Nor do I agree the term 'invitation' [wrongly] implies optionality, as Mrs L maintains. I think it's reasonable to interpret the term to mean something that can either be accepted or declined, as the term is used in other everyday contexts.

Moving on to the issue of the cancellation of the policy, Mrs L maintains the cancellation process breached the FCA's Consumer Duty (Prin 2A) requiring ease of cancellation. She says forcing customers to call after a website failure constitutes a 'barrier to exit'. (She says the Consumer Duty requires firms to "enable and support retail customers to pursue their financial objectives" and to avoid "unreasonable barriers". Forcing customers to call after online cancellation failures clearly created such barriers).

I don't agree. Tesco provided for cancellation either online or by phone as an alternative. There was an issue for Mrs L with accessing her account online, but there will be technical difficulties affecting online and website access from time to time. In which case I think it fair and reasonable for Tesco to offer an alternative in those circumstances (or for those customers who may not have internet access or who aren't comfortable with that route).

So, I've concluded providing alternative routes for cancellation (Mrs L cancelled her policy by phone) actually improves ease of cancellation. So, I don't agree that 'forcing customers to call after a website failure constitutes a barrier to exit'. In fact, it's the opposite – providing a phone route to cancellation improves ease of cancellation. **Not** providing an alternative to online cancellation would constitute a 'barrier to exit'.

More generally, I don't agree Tesco haven't (under Consumer Duty) 'enabled and supported retail customers to pursue their financial objectives'. As I've concluded, they made the terms of the policy automatic renewal clear and the routes through which Mrs L could opt out if she wished. And she had a similar opportunity to opt out or simply not renew her policy at the time Tesco issued their renewal invitation in February 2025. That would have enabled her to look at alternative cover, which is what she did before cancelling her Tesco policy. And it was open to her to have done that before the policy automatically renewed.

On the issue of the balance calculated by Tesco on the cancellation of Mrs L's policy, the policy booklet sets out the terms governing the situation where there is non-payment of premium (as there is in this case, where the policy automatically renewed but Tesco couldn't collect the premium). The relevant term is as follows:

*"8.10 Payment of your premium*

*Non-payment of premium*

- *If, for any reason, the premium for your time on cover under the policy has not been paid, Tesco Insurance will contact you for payment of the unpaid amount. If*

*payment is not received, we, Tesco Insurance, may cancel your policy if you are still on cover and apply a cancellation charge; and*

- *Require you to pay for any cover up to the date of cancellation of your policy; and*
- *Act against you to recover any amount outstanding and may refer the matter to a debt collection agency if you do not pay."*

As I've concluded above, Tesco acted fairly in issuing a renewal invitation and, having not heard from Mrs L to the contrary, the policy automatically renewing as had been made clear when Mrs L took out the policy and subsequently. Given the wording of the above policy term. I've concluded it was fair and reasonable for Tesco to calculate a balance due for the time Miss L was on cover under the policy from its automatic renewal to its cancellation.

Tesco also offered to backdate the policy if Mrs L could provide evidence of her new policy coming into force before the date of cancellation. That is, only charge for the days on cover (if any) until the date the new policy took effect. This would also mean Mrs L wasn't dual insured for any overlap between the two policies. I think that is fair and reasonable in the circumstances.

Mrs L maintains the £62.60 charge for time on cover is unenforceable as it was caused by Tesco's faulty renewal, breaching FCA principles (ICOBS 7.2.2R (which only permitted pro rata charges for requested coverage). And when a consumer cancelled a policy, an insurer could only be required to pay for the service actually provided by the firm in accordance with the contract and the amount had to be in proportion to the extent of the service provided. It also prohibited requiring payment if the firm commenced performance without the consumer's prior request. So, the charge should be waived.

I've considered this point carefully, but I don't accept it. There wasn't a 'faulty renewal' of the policy, as Tesco followed the process set out for automatic renewal of the policy and they had no reason to think Mrs L didn't want to renew the policy. So, it was reasonable for Tesco to think there was 'requested coverage'. The policy automatically renewed and therefore provided cover from that point. In calculating a balance due on cancellation, Tesco was only charging for the time on cover and therefore the service provided under the policy (a contract of insurance). The balance being based on the days under meant also means it was proportionate.

And as I've concluded earlier, it was fair and reasonable for Tesco to offer to backdate their cancellation of the policy if Mrs L could evidence her new policy coming into effect before the date Tesco effected the cancellation of their policy. That would avoid Mrs L being 'dual insured' for the time of any overlap. And should Mrs L's new policy have come into effect from the point of her Tesco policy renewing, the implication would be the balance from Tesco would be minimal, if not zero.

Mrs L also says the automatic renewal of her policy with Tesco caused her financial strain. But Tesco say they couldn't collect payment of the renewal premium of £571.20. Which is why they then followed the policy terms in asking for payment and issuing further follow ups. Nor has Mrs L paid the [revised] cancellation balance of £62.60 or provided evidence of her new policy to enable Tesco to consider backdating her policy to remove any dual insurance between her policy with Tesco and her new policy.

As it appears Mrs L didn't pay the renewal premium of £571.20, then it's unclear how she has suffered financial loss. She has, presumably, paid the premium for her new policy (either a one-off payment or through instalments) so she's only incurred the cost of one policy,

which as she's told us, was cheaper than the Tesco renewal premium. So, I'm not persuaded Mrs L suffered 'financial strain', as she puts it.

Taking all my findings and conclusions together, I've concluded Tesco haven't acted unfairly or unreasonably in the circumstances of this case, so I won't be asking them to take any further action.

### **My final decision**

For the reasons set out above, it's my final decision not to uphold Mrs L's complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 10 December 2025.

Paul King  
**Ombudsman**