

The complaint

Mr L has complained that Tesco Underwriting Limited unfairly cancelled his home insurance policy.

What happened

Mr L bought a home insurance policy with Tesco. In December 2024 he reported a damaged glass pane. Tesco checked a central underwriting database and discovered Mr L had a previous undisclosed claim from 2021.

Mr L initially didn't agree he'd made a claim, but remembered the incident. Mr L later withdrew the claim from the incident he reported to Tesco as the manufacturer said it would deal with the repair.

Tesco said it needed further information from Mr L about the previous claim and if it didn't receive it, it would cancel his policy. On 24 December 2024 Mr L agreed with Tesco to provide the information by 31 December 2024 to prevent his policy from being cancelled.

Mr L sent Tesco the information by email on 27 December 2024 and received an acknowledgement. Despite this, Tesco cancelled his home insurance policy.

Mr L complained to Tesco and provided a copy of the acknowledgement email. But Tesco didn't uphold his complaint and said it had correctly cancelled his policy.

Mr L asked us to look at his complaint. He said his wife bought alternative insurance in January 2025. He said he was left uninsured and several insurers refused to provide cover due to having to declare a previous cancellation by an insurer. Mr L said it caused considerable distress and inconvenience. He was very unhappy that Tesco didn't uphold his complaint despite providing evidence he had done what it asked for before cancellation.

When one of our Investigators asked Tesco for information, it said it had reviewed Mr L's complaint and agreed it hadn't acted correctly. It accepted it had received the information from Mr L, but due to an oversight had cancelled his policy in error.

Tesco offered an apology to Mr L and to pay him £175 for the distress and inconvenience. It said it would remove any cancellation marker against his name.

Our Investigator put Tesco's offer to Mr L. He rejected it and said he wanted this service to investigate his complaint.

The Investigator thought Tesco should do more. He recommended Tesco increase the compensation award to £300. He thought Tesco should calculate what the revised premium would have been once it added the previous claim to Mr L's policy. Mr L had provided a copy of the policy bought in his wife's name in January 2025 which showed the previous claim and previous cancellation. The Investigator recommended Tesco pay the difference between the two premiums.

Mr L accepted the Investigator's recommendations. Tesco didn't agree. In summary it says a compensation award of £300 is excessive. It believes based on Mr L's resistance to accept he had made a previous claim, the policy would have most likely cancelled anyway, and Mr L would not have agreed to pay a higher premium.

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.

The fact is Mr L provided the information Tesco requested before the date it gave him to prevent cancelling his policy. Despite this, and despite providing evidence he did so, Tesco maintained its decision to cancel his policy was correct, and didn't uphold his complaint.

It's clear that had Tesco failed to act reasonably on more than one occasion: when it received Mr L's email on 27 December 2024, when he called to explain and when he provided evidence of the acknowledgement from Tesco, which led to Mr L's complaint to Tesco, and then contacting us.

I don't think it is fair for Tesco to speculate that Mr L would most likely not have paid an additional premium for the policy to continue. Mr L did provide the information it asked for when Tesco agreed a deadline with him.

Having a policy cancelled by an insurer can have significant consequences for a customer. Mr and Mrs L then had to look for alternative insurance and pay a higher premium. Mr L explained that several insurers refused to provide insurance.

This was all avoidable and unnecessary distress and inconvenience.

So I think a fair compensation award to reflect the impact of the distress and inconvenience caused is £300. And I agree Tesco should pay any difference in premium between what it would have charged Mr L once it added the undisclosed claim from 2021 and the premium Mrs L has paid for a replacement policy. Tesco should pay interest on this amount from the date of cancellation to the date it provides a refund.

My final decision

My final decision is that I uphold this complaint. I require Tesco Underwriting Limited to do the following:

- Remove any cancellation marker from internal and external databases and provide Mr L with a letter confirming it cancelled his policy in error.
- Pay Mr L £300 compensation for the distress and inconvenience caused.
- Calculate and confirm the revised premium Mr L would have had to pay to include the previous undisclosed claim from 2021. Pay the difference between this premium and the premium paid for the replacement policy in Mrs L's name.
- Pay interest on the difference at a rate of 8% simple interest a year from the date of cancellation to the date of refund.

Tesco Underwriting Limited must pay the compensation within 28 days of the date on which we tell it Mr L accepts 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.

If Tesco Underwriting Limited considers that it's required by HM Revenue & Customs to withhold income tax from that interest, it should tell Mr L how much it's taken off. It should also give Mr L a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 15 September 2025.

Geraldine Newbold
Ombudsman