The complaint

Mr C complains about the renewal of his motor insurance policy through Sainsbury's Bank Plc (Sainsbury's). He says he didn't receive the renewal notice by email and wasn't aware the policy failed to renew automatically until the policy had lapsed. This meant he had to take out a new policy at significantly higher cost to maintain cover. Mr C wants Sainsbury's to refund the difference in premium.

References to Sainsbury's in this decision include their agents.

This decision covers Mr C's complaint about Sainsbury's, who were responsible for arranging and administering his policy. It doesn't cover the insurers (underwriters) of the two policies (the old policy and the new policy) policies, separate businesses.

What happened

Mr C had a motor insurance policy through Sainsbury's, which was due to renew automatically at the beginning of March 2025. A renewal notice for the policy was sent in February 2025, at a premium of £434.89. Sainsbury's said they sent the renewal invitation by post and email, but Mr C said he didn't receive anything via email. The renewal invitation stated that unless Mr C advised otherwise, payment for the policy would be taken from the card details Sainsbury's held for Mr C, five days before the policy was due to renew.

However, due to a system problem, Sainsbury's were unable to collect the payment, so they wrote to Mr C two days before the renewal date, asking him to contact them by phone to provide alternative payment details so the policy could be renewed. The letter also said that if Sainsbury's didn't hear from Mr C, the policy would lapse, and he would no longer be covered. Unfortunately, the reminder letter wasn't issued as soon as Sainsbury's would normally issue it, meaning the letter didn't arrive (again, by post only according to Mr C, until the day after the renewal date) which meant the policy had lapsed, at midnight when he received it and phoned Sainsbury's.

This meant Mr C had technically driven whilst uninsured on the morning of the following day and required his vehicle again the same evening. He phoned Sainsbury's to arrange a new policy. Having lapsed, the old policy could not be reinstated. However, the quotes he was given were significantly higher than the renewal premium he had previously been offered. Reducing his level of cover still meant an increase of £94.29, which he reluctantly agreed to pay, as he needed cover. He said he provided the same card details as those he'd previously given Sainsbury's.
Unhappy at what happened, Mr C complained to Sainsbury's. He said he had unwittingly driven while uninsured and had to take out a new policy at significantly higher cost. He wanted Sainsbury's to refund the additional £94.29 he'd paid for his new policy.

Sainsbury's issued a final response in April 2025, which partially upheld the complaint. They referred to sending a renewal invitation by post and by email in February 2025, advising the policy would renew automatically and payment of the and the policy premium debited from the card details they held for Mr C, five days before the renewal date. However, the payment debit failed, so they sent Mr C a further letter and email asking him to contact them to provide alternative payment details. However, a system error meant this wasn't sent within the usual (five day) timeframe and so didn't allow Mr C to respond before the policy lapsed.

This meant the policy and renewal quote had expired when Mr C phoned them, so he was required to obtain a new quote should he wish to continue cover through Sainsbury's. Mr C provided different details from those used to generate the previous renewal quote, including voluntary excess and vehicle market value. This generated a premium of £579.18 which Mr C paid in full. Sainsbury's couldn't provide a quote until the details had been provided. Sainsbury's wouldn't match the difference between the two premiums, due to the different information. However, in recognition of the upset to Mr C, they awarded £50 compensation.

Mr C then complained to this Service, unhappy at what happened and having to take out a new policy at higher cost. He wanted Sainsbury's to refund the difference of £94.29 he'd paid for his new policy. Mr C subsequently told us the £50 awarded by Sainsbury's had been deposited into his account, but he still wanted Sainsbury's to refund the net additional premium of £44.29.

When providing their business file to this Service for us to investigate Mr C's complaint, Sainsbury's noted their initial letter telling Mr C his renewal payment had failed was sent two days later than it should, which was the basis for offering £50 compensation. However, a further review of the failed payment had shown their payment processor (WP) hadn't processed the payment request and so it hadn't reached Mr C's bank. Which is why the renewal payment wasn't collected as it should have been. So, the failure had nothing to do with Mr C's bank. But this didn't change the actions Mr C needed to take following the unsuccessful payment (to contact Sainsbury's to arrange alternative payment). However, in recognition of the failed payment, Sainsbury's offered a further £50 compensation, making a total of £100.

Our investigator put Sainsbury's revised offer to Mr C. The investigator also noted the difference in premium between Mr C's new policy and old policy was £144.29 (£579.18 less £434.89) rather than the £94.29 Mr C set out in his complaint to this Service. Mr C rejected the offer, saying he should be compensated for the full difference of £144.29. So, our investigator investigated the complaint.

Our investigator upheld the complaint, concluding Sainsbury's hadn't acted fairly. He concluded that had Sainsbury's not failed to collect the renewal premium of £434.89 (which they accepted was due to an error on the part of WP) and then sent payment failure notices later than they should, Mr C's policy would have renewed on the original terms at the renewal invitation figure of £434.89. So, the investigator thought Mr C should be put back into that position, by having the difference in premiums refunded. While Mr C benefitted by having a lower voluntary excess, the policies could have been price-matched at the point he called Sainsbury's to take out a new policy, with the same excess figure applied. And Mr C had also been caused distress and inconvenience from what happened, including driving without insurance on the morning after his policy had lapsed.
To put things right, the investigator thought Sainsbury's should refund the policy premium difference of £144.29, plus interest, and pay Mr C £100 compensation for distress and inconvenience.

Sainsbury's disagreed with the investigator's view and asked that an ombudsman consider the complaint. They said it wasn't unreasonable to expect Mr C to be more vigilant around the time of his renewal for any correspondence to ensure there weren't any issues. They also said that if Mr C had provided different information to obtain a lower premium for his new policy, it could be classed as data manipulation. And had he provided the different information before renewal, he may have benefited from a better price. The policies weren't like-for-like due to betterment such as the reduced voluntary excess, so they wouldn't consider any difference in premium. The changes in information provided by Mr C could have had a significant impact on the price of his new policy. And as the details he gave when taking out his new policy differed from those of his old policy – which he would have known - it could have resulted in claims being declined or his policy cancelled or voided on the grounds of misrepresentation. And as it was a legal requirement to have insurance, Sainsbury's hadn't forced Mr C to purchase a policy.

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 Sainsbury's have acted fairly towards Mr C.

The key issue in Mr C's complaint against Sainsbury's is the failure of the automatic renewal of his policy, which meant his policy lapsed and he had to take out a new policy (with a different insurer) to ensure he had cover. His new policy, albeit on different terms, was significantly more expensive than his old policy. He wants Sainsbury's to reimburse the difference. Sainsbury's say the new policy isn't like for like compared with his previous policy, so they can't be directly compared. But they acknowledge the failure to collect payment for his old policy was due to an error by their payment processor (WP) and not sending correspondence when they should, asking Mr C to contact them to provide alternative payment details to enable his old policy to renew. But they say Mr C would have received emails ahead of the policy lapsing (which Mr C denies) to enable him to renew his policy in time.

In considering the issues, it's clear what should have happened, had it not been for the problems. That is, payment would have been taken from Mr C's bank five days before the policy renewal date. There's no indication there was an issue with Mr C's bank (he had the funds available for payment to be taken) nor that he didn't want the policy to renew. But the error on the part of WP, as Sainsbury's agent, might have been mitigated had Sainsbury's issued letters when they should advising the payment hadn't been collected and asking Mr C to contact them. It appears the letters weren't issued when they should have been (when the payment failed) but there was a delay of two days, meaning they were issued only three days before the policy was due to lapse.

Sainsbury's say they issued letters and emails, but Mr C says he didn't receive the emails (it appears Mr C provided the email address of his wife). But even if I accept what Sainsbury's have said about the emails being issued, Mr C may not have seen them in time, as he had no reason to think there was a problem with the policy renewing automatically. Particularly as the email address was that of his wife, who may have had less reason to be expecting emails about Mr C's policy. And had the letters by post been sent two earlier than they were (and should have been) then all other things being equal then it's likely Mr C would have received them earlier, before the policy lapsed. So, there could have been time for him to phone Sainsbury's and renew the policy on the original renewal terms.

So, I've concluded it was the combination of the two failures by Sainsbury's that were the cause of Mr C's policy lapsing. The policy having lapsed (at midnight) of the day before Mr C phoned Sainsbury's, then it wasn't possible for the policy to be reinstated. Listening to the call, which lasted just over an hour, the agent confirms that as the policy had lapsed, they couldn't use the policy details from Mr C's old policy, as that would result in a 'no quote' coming back. So, the agent tells Mr C he would have to provide a quote from scratch, with Mr C providing details for quotes to be generated, from the panel of insurers used by Sansbury's.

Mr C answers the questions asked by the agent, with some of the details differing from those used in the original policy renewal/ Sainsbury's say this meant Mr C had knowingly provided false information (or not updated it) in respect of his old policy and so may have made a misrepresentation. However, I'm not persuaded this is the case. Mr C was having to answer questions from scratch to generate a quote for a new policy, at a time when he knew his policy had lapsed and therefore needed cover to ensure compliance with vehicle insurance regulations. That he provided some information that differed is understandable in the circumstances. And in any event, as a new policy, it would be based on the information Mr C was providing on the call.

So, I don't think it's reasonable to say Mr C was potentially making a misrepresentation. The old policy was based on information held by Sainsbury's (and the insurer) but at the point Mr C took out his new policy, the old policy had lapsed and therefore the issue of whether Mr C should have updated the policy information becomes moot. And in any event, any misrepresentation would be a matter for the relevant insurers, both old and new. It's also not relevant to Mr C's complaint, which is about the failure of the automatic renewal of his policy.

Nor am I persuaded Mr C was engaged in date manipulation to obtain a lower quote – the quote he obtained (and took out a policy) was significantly higher than his renewal premium.

Sainsbury's also say the two policies weren't like-for-like, so they can't refund the premium difference. But as Sainsbury's have said, they couldn't use the same details as Mr C's old policy as it would have returned a 'no quote' response. But that's not the fault of Mr C. Sainsbury's say Mr C's policy benefits from betterment, in particular in respect of having no voluntary excess, a lower market value for his vehicle and other factors. But even with a lower excess (both compulsory – which is down to the insurer – and voluntary) he's still paid a significantly higher premium than he would have done have the old policy automatically renewed, which is what should have happened.

Taking all these points together, I don't agree with Sainsbury's position, as Mr C should have had his policy renewed on the original terms, were it not for Sainsbury's errors. So, to put things right, Sainsbury's should reimburse Mr C the difference between the two premiums (£144.29). They should also pay interest, at a rate of 8% simple, from the date Mr C paid the new premium to the date they reimburse the difference.

Having reached this conclusion, I've also considered the impact of what happened on Mr C. I think discovering his policy had lapsed would have been concerning to Mr C, particularly given the fact it was due to no fault of his own. So, he was technically uninsured between the lapse of his old policy at midnight the previous day to the time the following day he took out his new policy. And he also had to spend over an hour taking out a new policy from scratch through Sainsbury's (as well as paying significantly more for it). I've also noted Sainsbury's didn't pick up the error on the part of WP that meant the payment wasn't collected as it should have been, until they provided their business file to us and offered a further £50 compensation.

Taking all these factors into account, together with the published guidelines from this Service on awards for distress and inconvenience, I think £100 compensation would be fair and reasonable.

My final decision

For the reasons set out above, it's my final decision to uphold Mr C's complaint. I require Sainsbury's Bank Plc to:

- Reimburse Mr C for the additional £144.29 he paid for his new policy, compared to the renewal premium for his old policy.
- Pay interest, at a rate of 8% simple, from the date Mr C paid for his new policy to the date they reimburse him the difference.
- Pay Mr C £100 compensation for distress and inconvenience (if they haven't already paid it).

Sainsbury's Bank Plc must pay the compensation within 28 days of the date we tell them Mr C accepts my final decision. It they pay later than this they must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 22 December 2025.

Paul King
Ombudsman