

The complaint

Mr and Mrs B complained that Tesco Underwriting Limited (“Tesco”) didn’t offer them a home insurance policy renewal when their current policy term was nearing its end.

What happened

Towards the end of their policy term with Tesco, Mr and Mrs B pro-actively contacted Tesco a few times to arrange the renewal of their policy as they were soon to be going on holiday. On 6 May and 2 June, Mr and Mrs B were informed that it was too early for the renewal to be offered / it hadn’t been considered yet.

However, on 16 June when Mr and Mrs B called Tesco, they were informed Tesco wouldn’t be renewing their policy as their circumstances didn’t meet its required underwriting criteria. Tesco said this decision *“was based on a combination of rating factors, including the customer’s claims history, and was made in accordance with standard underwriting practices”*. After the complaint was escalated to our service, Tesco made a pro-active offer of £75 compensation for the distress and inconvenience caused by a system error which prevented the renewal invitation being generated and issued in a timely manner.

Mr and Mrs B think this is unfair as when they originally started their cover with Tesco, they had opted for their policy to auto renew. They also thought Tesco’s communication was ambiguous. Mr and Mrs B weren’t clear whether they needed to inform prospective insurers that they had been refused cover by Tesco. But they have stated their premiums will be higher consequently. Mr and Mrs B would like Tesco to provide them cover and compensation for the distress and inconvenience they’ve suffered.

Our investigator decided to uphold the complaint. Whilst she thought Tesco’s decision not to renew the policy was fair, she thought the compensation should be £150 for the confusion / delays in finding out the policy wouldn’t be renewed. Both Mr and Mrs B and Tesco disagreed, so the case has been referred to an ombudsman.

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.

I can understand Mr and Mrs B’s frustration that they weren’t provided with a renewal offer by Tesco for their home insurance cover. I can see this felt odd to them given they had opted for the auto renew feature when they incepted their policy.

I think it’s worth explaining that when Mr and Mrs B entered the contract with Tesco, they agreed to a one-year contract for home insurance cover. This is standard across the industry.

Opting for the auto-renewal of the policy, doesn’t provide Mr and Mrs B with guaranteed cover in future years. It provides a convenient option for customers to choose for their policy to rollover to a new contract, should the insurer decide to offer cover. Mr and Mrs B won’t

find any words within their policy that indicate they have a contractual right for their policy to be continued indefinitely.

Each new term offered is a new contract of cover. Before an insurer offers cover, whether it be to a new customer or a renewing customer, the insurer will make sure the customer meets their underwriting criteria. The underwriting criteria is a formal document that sets out what circumstances an insurer will offer cover (or not offer cover). Each insurer will take their own commercial approach to what risk they are willing to take on, and how much they will charge.

When Tesco ran this process for Mr and Mrs B, Tesco identified that Mr and Mrs B no longer sat within a risk profile it was willing to accept. Primarily, Mr and Mrs B's claim history over recent years put them outside the risk profile that Tesco was happy to provide cover for. Therefore, Tesco decided not to offer cover. Having checked Tesco's underwriting criteria, I can see this decision was a reasonable one and consistent with how it would treat any customer with similar circumstances. Different insurers may well take a different approach and accept more risk when offering cover, however, it's likely they will also charge a higher premium for this risk.

Although, I think Tesco's decision is a fair one. I don't think the way they handled the renewal process itself was effective. They've offered £75 compensation to rectify this. However, I don't think this is sufficient.

From Mr and Mrs B's pro-active approach, it was clear this was an important issue for them given they were going on holiday. Tesco have indicated they had a system issue, but this doesn't change that Tesco didn't manage this issue, and it has acknowledged it should've informed Mr and Mrs B earlier about its decision not to renew. I think the evidence suggests Tesco didn't call back Mr and Mrs B when it promised to do so, as the final conversation was a chasing call made by Mr and Mrs B.

Tesco have said there is no contractual agreement setting out when it needs to inform its customer of its decision to renew. This might be the case, but our service doesn't look just a contractual obligation, we also consider what is fair and reasonable. Insurers normally provide renewal offers with plenty of notice to retain business. It's common knowledge also that there is an optimum time ahead of needing cover where customers should apply to get the optimum price. Added to this, Mr and Mrs B circumstances related to their upcoming holiday, also made it important to get the decision to them as soon as practically possible. Tesco were aware of this. Therefore, I think this delay impact Mr and Mrs B.

I have increased the compensation that Tesco need to pay to £150 for the distress and inconvenience caused. This aligns with our framework for compensation. So, I uphold this complaint. I think this fairly compensates Mr and Mrs B for the tardiness of the decision, the poor communication and for uncertainty on whether they needed to inform prospective insurers. For clarity, it's always best to disclose as much information as you can to prospective insurers, in order they can ensure any cover provided is appropriate for a customer's need.

My final decision

My final decision is that I uphold this complaint. I require Tesco Underwriting Limited to pay Mr and Mrs B:

- A total of £150 compensation for distress and inconvenience (if any compensation has already been paid, this should be deducted from this amount).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B and Mr B to

accept or reject my decision before 26 February 2026.

Pete Averill
Ombudsman