

## The complaint

Mr A complains about how Tesco Underwriting Limited (Tesco) dealt with a claim on his motor insurance. References to Tesco include other individuals and organisations acting on its behalf.

## What happened

Mr A had motor insurance underwritten by Tesco. His car was involved in an accident and Mr A made a claim. Tesco arranged for one of its approved repairers to inspect the car, and there was a short delay in the car getting to the repairer and a replacement car being provided to Mr A. He says he was without a driveable car for about 18 days and had to spend money on taxis during this time. There was a further delay in settling the claim as there was some uncertainty about which damage was covered. Tesco decided that there had been previous damage which had been poorly repaired, and wasn't covered by the policy. Tesco said the accident damage couldn't be repaired separately from this. So Tesco offered Mr A cash in lieu of repairs. Mr A wasn't happy with the amount offered. He also felt that it took too long to settle his claim and he wasn't happy with the time it took him to sort things out, the condition of his car when it was returned from the repairer, and the loss of a keyring with sentimental value.

Mr A complained to Tesco. Tesco upheld the complaint and offered Mr A £250 compensation. Tesco also said it would consider reimbursing Mr A's travel costs if he provided receipts.

Mr A wasn't happy with what Tesco said and complained to this service. Our investigator partly upheld his complaint. She said it was reasonable and in line with the policy terms for Tesco to decide to make a cash in lieu payment. She said that if Mr A thought Tesco hadn't paid enough to cover the repairs to damage caused in the accident, and should have included VAT in the settlement, he should send proof, such as invoices, to Tesco for further consideration.

The investigator also said that there were delays in Tesco paying the settlement to Mr A. She said that although the amount was in dispute, and this was being investigated, Mr A was deprived of the bulk of the settlement during this time and couldn't start the repairs to his car. She said there was a note on Tesco's file querying whether Mr A should be offered an interim payment, but she couldn't see that this was done. She said Tesco should have explained to Mr A that he could have accepted an interim payment whilst the investigations were being conducted. As Tesco didn't make an interim settlement, the investigator said it would be fair and reasonable if they paid Mr A interest on the initial settlement.

With regard to the travel expenses, the investigator said Tesco agreed to consider these further, but they needed evidence. She said if Mr A was unsure what evidence was required, he should discuss this with Tesco.

The investigator said that, as Tesco had agreed to also consider travel expenses, the compensation of £250 was fair and reasonable in the circumstances.

In summary the investigator thought that:

- Tesco should pay Mr A £250 if this hadn't been paid.
- Tesco should pay Mr A 8% interest on the initial settlement amount from the date Tesco was aware of the initial amount to the date it was paid.
- If Tesco considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr A how much it's taken off. It should also give Mr A a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.
- Mr A should send evidence of travel expenses to Tesco for further consideration.
- Mr A should forward any further evidence he wants Tesco to consider in relation to the repairs.
- If Mr A believes Tesco should have included VAT in the settlement, he should send the invoices to Tesco for further consideration.

Mr A didn't agree with what the investigator said and so his complaint has been passed to me. Mr A wants £1,000 compensation. He accepts the £250 Tesco offered as compensation for his wasted time trying to sort the claim out and the psychological impact of this. However he also wants around £250 for his travel costs, £250 for the additional repairs to his car, and £250 for the time taken researching valuations to support his request for the car to be written off.

I note that Tesco has agreed with the investigator's suggested solution to the complaint.

### **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 uphold Mr A's complaint in part. I'll explain why.

Mr A's motor insurance policy with Tesco said:

*"We will choose whether to repair the car or pay you a cash amount equal to the cost of the loss or damage."*

And:

*"We will not pay any part of a repair or replacement which improves your car beyond its condition before the loss or damage took place unless you have agreed to pay the additional cost prior to the work commencing."*

Tesco has explained that if it had carried out the repairs it would have had to replace the poorly repaired parts. This would have meant the car would have been in a better condition than it was immediately before the accident. Tesco also explained that its engineers didn't agree that the accident damage would have cost so much that the car couldn't be economically repaired. I therefore think it was fair and reasonable and in line with the policy terms and conditions for Tesco to pay Mr A a cash in lieu settlement rather than complete the repairs.

Mr A has asked for his travel expenses to be reimbursed. It has already been explained to him that he needs to provide Tesco with evidence of what he paid. He can discuss this Tesco if he's not sure what evidence is needed.

Similarly, if Mr A thinks Tesco didn't pay him enough to get the car repaired, or should have

paid VAT, he needs to provide evidence, such as invoices. And if he thinks the repairs weren't carried out properly, he needs to provide evidence of this, such as an independent engineer's report.

Mr A wants an increase to the compensations to cover his time researching the market value of his car. This isn't something this service would expect a business to pay for. Unfortunately making a claim on an insurance policy always does involve some time and inconvenience.

I note that there was a delay in Tesco paying Mr A the cash in lieu settlement. Although this was in part caused by negotiations around what should happen, it did mean that Mr A didn't have the money he should have had to get on with the repairs. Tesco did identify that he could have been offered an interim settlement, but then didn't do anything about this. So I think it would be fair and reasonable for Tesco to pay Mr A interest for the period when he could have had the money.

Finally, I think that the £250 Tesco has suggested as compensation for the other matters is fair and reasonable and in line with what this service would suggest.

### **My final decision**

For the reasons given above I uphold Mr A's complaint in part, in relation to the delay in paying him an interim cash in lieu settlement. In recognition of this I require Tesco Underwriting Limited to pay Mr A 8% interest on the initial settlement amount from the date Tesco was aware of this amount to the date it was paid.

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

I also require Tesco Underwriting Limited to pay Mr A the £250 compensation it has offered him, if this hasn't already been paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 19 March 2026.

Sarah Baalham  
**Ombudsman**