

The complaint

Mrs K has complained that Tesco Underwriting Limited (Tesco) cancelled her motor insurance policy after she made a claim.

What happened

Mrs K took out an insurance policy with Tesco through their website on 14 April 2023. And the policy renewed on 14 April 2024. On 29 April 2024, her car was stolen so she made a claim.

Tesco say they sent a letter on 30 April 2024 which gave seven days' warning that they would cancel Mrs K's policy. But they continued to look into the claim and took 10 months to do so. This included communicating with the police and the finance company, conducting an interview with Mrs K, and collecting and reviewing details of what happened.

Tesco ultimately declined the claim in January 2025. They said this was because when the policy was first taken out with them, Mrs K said she was the registered owner and keeper of the car. But that it became clear during their investigations that this was incorrect – and that

Mrs K's son had a finance agreement in place for the car and it was registered in his name, so she had no insurable interest in it.

Mrs K thought this was unfair, saying she reported the claim immediately. And although Tesco raised concerns around her not being the keeper of the car, she explained that it was a genuine and honest mistake when setting up the policy. She said she was assured that the mistake had been taken into consideration and that the claim would proceed but Tesco reversed this position after a year.

Tesco issued a final response letter maintaining their position. Mrs K then complained to our Service. She said she wants Tesco to reinstate her claim, honour their commitment to continue processing it, and settle it fairly.

Tesco told us they considered Mrs K's answer when taking out the policy to be a 'careless qualifying misrepresentation', and they declined the claim and cancelled the policy because of it.

Our Investigator upheld the complaint. He said since Tesco cancelled the policy, they accepted risk and liability up to the cancellation date. And that this means it was unfair to decline the claim. He thought Tesco should reassess the claim and pay £150 compensation for the impact on Mrs K caused by their decision and claim delays.

Tesco didn't reply so the complaint came to me to decide. I wrote a provisional decision upholding the complaint. Its findings form part of this final decision, so I've copied them in below. I also invited any further comments or evidence before I issued a final decision. I said the following:

“As ours is an informal service, I'm not going to respond to every point or piece of evidence

Mrs K and Tesco submitted. Instead, I've focused on what I consider to be key or central to the complaint. But I'd like to reassure both that I have considered everything submitted.

Was it fair for Tesco to decline Mrs K's claim?

Tesco said they classified Mrs K's actions as a careless misrepresentation. This would usually mean an insurer is relying on the relevant law, The Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA), to take action. CIDRA requires consumers to take reasonable care not to make a misrepresentation when taking out a consumer insurance contract (a policy). The standard of care is that of a reasonable consumer.

And if a consumer fails to do this, the insurer can apply certain remedies provided the misrepresentation is – what CIDRA describes as – a qualifying misrepresentation. For it to be a qualifying misrepresentation the insurer has to show it would have offered the policy on different terms or not at all if the consumer hadn't made the misrepresentation.

CIDRA sets out a number of considerations for deciding whether the consumer failed to take reasonable care. And the remedy available to the insurer under CIDRA depends on whether the qualifying misrepresentation was deliberate or reckless, or careless.

Tesco says Mrs K failed to take reasonable care when she gave her answer to a question asked about the owner and registered keeper.

I've looked at the questions Mrs K was asked when she originally took out the policy on Tesco's website and what information she was provided with when her policy renewed.

The question asked when Mrs K's policy was originally sold was:

“Will you be the owner and keeper?”

The owner is the person who bought the car or received it as a gift.

The registered keeper is the person whose name is on the V5C registration certificate (log book).”

It gave the option of answering yes or no. Mrs K answered yes to this question. And Mrs K's renewal documents also showed 'yes' to “You/your husband or wife/civil partner/partner is the registered keeper of the car”.

I think Mrs K will have reasonably thought she was the owner of the car since it was gifted to her, but I'm satisfied Mrs K should have reasonably been aware she needed to tell Tesco that the registered keeper was her son, so I don't think she took reasonable care in answering the question about the registered keeper.

Tesco has provided evidence which shows if Mrs K had answered the question about the registered keeper correctly, they wouldn't have offered her the policy. I'm satisfied the misrepresentation was a qualifying one as this shows it clearly would have made a difference if she'd answered reasonably and Tesco wouldn't have provided cover had they known.

Tesco said Mrs K's misrepresentation was careless. And I'm satisfied it was reasonable to treat it careless rather than deliberate or reckless since the parties agree that what happened was a mistake. As I'm satisfied Mrs K's misrepresentation should be treated as careless, I've looked at the actions Tesco can take in accordance with CIDRA.

Tesco have shown they wouldn't have offered cover at all, so, under CIDRA, the remedy available to them was to void Mrs K's policy and not cover any claims – but they would have needed to return the premiums. This isn't what happened. Instead, Tesco gave a seven-day notice to cancel the policy in April 2024 but declined the claim in January 2025.

Tesco's decision to cancel the policy instead of void it isn't a remedy available to them under CIDRA, but since it potentially offers a better outcome for Mrs K, I'm not going to interfere with their decision to do so. Cancelling the policy at the point they did means Mrs K was on cover until the end of those seven days – which means Mrs K had cover under the policy when the claim happened. It wasn't fair for Tesco to decline the claim for the reasons they did, and I'll be directing Tesco to consider the claim under the remaining terms and conditions of the policy. Just to be clear, I'm not going to require Tesco to settle the claim in the way the Investigator recommended – this is because, while they should handle the claim promptly and fairly moving forward, there may be other terms and conditions Tesco seek to rely on while they do.

Tesco said a balance of over £1,100 is due for her remaining premium but that no action has been made to recover it since May 2024. The policy terms say Mrs K's full annual premium remains payable in the event her car is deemed a total loss. This happened, so I won't be directing Tesco to take any action in relation to the outstanding premium.

Claim delays

Tesco have an obligation to handle claims promptly and fairly. Mrs K thinks Tesco haven't met these obligations – and I agree.

Tesco said that the enquiries that they made accounted for the time it took to come to a claim decision. But from what I've seen, there were times (particularly between July 2024 and January 2025) where I don't think they were proactively handling the claim. Tesco didn't promptly reply to police information requests; didn't follow up on their own internal queries; and, in some periods, didn't take any action at all. I think the claim handling was delayed and drawn out, taking around ten months to come to their position. Tesco also continued investigating the claim when they'd already discovered the misrepresentation and cancelled the policy in May 2024 – and, seemingly, never had any intention of paying the claim.

I understand why Mrs K thought that Tesco had committed to covering the claim: In October 2024, Tesco told Mrs K's representative that they were okay to proceed and settle the claim without the police report – and should be in touch within the next couple of days to get the claim settled. This clearly isn't what happened.

Given the unreasonable delays and the shock to Mrs K once she was unfairly told her claim wouldn't be covered, I think Tesco's unfair handling caused a substantial amount of distress and inconvenience to Mrs K. On top of this, it would have been a shock for Mrs K to learn about the outstanding amount for her premiums being passed to a debt collector – although I have to keep in mind she wasn't aware of any ongoing enforcement by Tesco until now. Considering all this, I think they should be paying a total of £350 compensation.

I appreciate that Mrs K believes Tesco should be paying the claim since they were previously committed to doing so and had told her as much. But I think the fairest option is to allow Tesco to consider the remaining terms and conditions of the policy – and if there are other terms they seek to rely on, they should promptly make these clear to Mrs K. Mrs K may be able to bring a further complaint to our Service if she thinks Tesco have acted unfairly in doing so.

Mrs K also says Tesco's refusal to pay the claim has left her unable to replace her car and

that she continued making payments on the car loan despite no longer having the vehicle. I can appreciate this has been difficult for Mrs K, but I'm not going to hold Tesco responsible for the loss as it hasn't yet been established whether the claim is covered under the remaining terms and conditions of the policy."

Mrs K didn't respond to my provisional decision.

Tesco accepted the decision. But they said they'd only be prepared to settle directly with the finance company as Mrs K has no legal ownership rights to the vehicle. And if there's any remaining money left in the settlement, this will then go to Mrs K's son, who has the finance in his name.

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.

Tesco agreed with my provisional decision and Mrs K hasn't provided anything in response to persuade me to depart from what I've said. So, for the reasons set out in my provisional decision, I'm directing Tesco to do what I've written under the heading 'my final decision' below.

I appreciate Tesco's concerns around the owner of the vehicle and who they should pay any settlement to. They'll see I haven't directed them to pay the claim, only to reconsider it. But if they do pay the claim, I'd expect them to do so in line with the terms of the policy.

My final decision

I uphold this complaint and direct Tesco Underwriting Limited to:

- Reconsider the claim under the remaining terms and conditions of the policy (without relying on any misrepresentation about the owner and keeper of the car to decline the claim).
- Pay Mrs K a total of £350 compensation for distress and inconvenience caused by Tesco's delays and handling (this includes any compensation already paid).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 5 February 2026.

Andrew Wakatsuki-Robinson
Ombudsman