

## **The complaint**

Mr A complains that Tesco Underwriting Limited (Tesco) unfairly cancelled his motor insurance policy and declined to settle his claim.

Mr A is represented by his son who is a named driver under Mr A's policy. As Mr A is the policyholder, and for ease, I've referred to him throughout.

## **What happened**

Mr A took out a motor insurance policy with Tesco through a price comparison website. Mr A was the policyholder and his son, was a named driver. The car was purchased through a finance agreement.

In July 2025 Mr A's car was damaged in a non-fault incident, so he claimed on his policy. Tesco deemed Mr A's car to be a total loss. It initially said it would settle the claim but it later revisited its decision. It said Mr A had incorrectly answered the question it asked about the registered owner and keeper of the car. It said Mr A wasn't the registered owner and keeper of the car but the named driver was.

Tesco said it wouldn't have offered the policy as Mr A had no financial interest in the car. It issued a seven-day notice of cancellation and then declined the claim. Mr A was able to get his claim settled through the third party's insurer but he thought Tesco had handled his claim unfairly, so he complained. Tesco maintained its position. Unhappy, Mr A came to our Service. Our Investigator upheld the complaint. She recommended Tesco refund the policy premium and pay £100 compensation to Mr A for the distress and inconvenience it caused due to its handling of the claim.

Mr A accepted the Investigator's recommendation. Tesco didn't reply, so the complaint has come 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.

I'm aware I've set out the background to this complaint in less detail than the parties have presented it. I'm not going to respond to every single point raised. Instead, I've focused on what I find are the key issues here. I assure both parties, however, that I've read and considered everything they've provided.

The relevant law in this case is The Consumer Insurance (Disclosure and Representations) Act 2012 (CIDRA). This requires consumers to take reasonable care not to make a misrepresentation when taking out a consumer insurance contract. The standard of care is that of a reasonable consumer.

And if a consumer fails to do this, the insurer has 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 has said that Mr A failed to take reasonable care not to make a misrepresentation when he made his online application for the policy and he said he was the registered owner and keeper of the car to be insured. The test for whether the consumer took reasonable care is set out in CIDRA. The standard of care required is that of a 'reasonable consumer'. So, I need to consider what a reasonable consumer would've done in the circumstances.

I've looked at the statement of fact that was issued at the inception of the policy and can see Mr A selected 'Yes' when asked if he, his wife/civil partner/partner owns the car and is the registered keeper of the car. I think this was a clear and specific question asked of Mr A at the time of the application. And Mr A has accepted he made a mistake when answering the question. So, I think Tesco's decision in saying Mr A made a misrepresentation is fair.

The next question I've considered is the impact on Tesco due to Mr A's misrepresentation. Tesco has provided evidence from its underwriters which shows that had it known Mr A wasn't the registered owner and keeper of the car at inception, it wouldn't have offered cover. This means I'm satisfied Mr A's misrepresentation was a qualifying one under CIDRA.

Tesco said Mr A's misrepresentation was careless. And I think that's fair and reasonable as Mr A has accepted he made a mistake. As I'm satisfied Mr A's misrepresentation should be treated as careless, I've looked at the actions Tesco took to see if they were in accordance with CIDRA.

Tesco has shown it wouldn't have offered cover at all, so under CIDRA, the remedy available to it was to void Mr A's policy and not cover any claims but it would have needed to return the premium. Tesco didn't do that here. Instead, it cancelled the policy and declined the claim. Cancellation of a policy for misrepresentation is not in accordance with CIDRA. So, I'll direct Tesco to apply the remedies under CIDRA by avoiding the policy from the point of misrepresentation, which in this case is the start of the policy in January 2025 and refund the insurance premium for the term of cover. As the car was purchased under a finance agreement, the premium refund will be applied towards reducing the outstanding balance.

Lastly, I agree with the Investigator that Tesco wrongly set Mr A's expectations that it would settle the claim. I've listened to the call of 27 August 2025 and I can see that Tesco told Mr A that it would allow the claim to proceed even though it was cancelling the policy due to his misrepresentation. It then changed its stance two days later when it wrote to Mr A stating the claim wasn't covered for the same reason his policy was cancelled. I think the £100 compensation suggested by our Investigator fairly takes into consideration the disappointment and loss of expectation Mr A experienced due to Tesco's handling of the claim here.

### **My final decision**

For the above reasons, I uphold this complaint and require Tesco Underwriting Limited to do the following:

1. Avoid Mr A's policy from its start in accordance with CIDRA.
2. Refund Mr A's policy premium in full for the term of cover. If this leads to a surplus on the finance agreement, Tesco should pay 8% simple interest to that amount from the date it discovered Mr A's misrepresentation (27 August 2025)

until the date it is paid. If Tesco thinks 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 him a tax deduction certificate if he asks for one, so he can reclaim the tax if appropriate.

3. Pay Mr A £100 in compensation for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 26 March 2026.

Linda Tare  
**Ombudsman**