

The complaint

Mr R and Mrs R complain that Sainsbury's Bank Plc cancelled their motor insurance policy unreasonably, and without due notice, and that it also provided poor service overall.

What happened

Mr R set up the policy with Sainsbury's in a call on 2 February 2025. He says he declared a claim he'd made in January 2023. In March 2025, the policy's underwriter asked Sainsbury's to ask Mr R about the claim. Sainsbury's says it emailed him on 23 March 2025 and uploaded the letter to his online portal asking for contact. Mr R says he didn't get that email.

As there was no reply, Sainsbury's sent a cancellation letter to Mr R and Mrs R on 31 March 2025 by post and uploaded it to the portal. It arrived on 7 April 2025, three days before the cancellation was due. When Mr R called Sainsbury's, an advisor said *in error* that it would be put on hold whilst he contacted the insurer he'd had in 2023 for details of the claim. But that insurer didn't reply to his request for several weeks. Meanwhile, on 12 April 2025 Mr R noted that the policy had been cancelled, and that he and Mrs R had been driving uninsured for two days, as they weren't told. Sainsbury's said it hadn't been given the details it had asked for, and that the policy couldn't be reinstated. Mr R says the cheapest new policy he could get cost around £2,600 a year (as opposed to under £500 with the Sainsbury's policy).

Sainsbury's offered £200 compensation for the advisor's error, as he hadn't said the cancellation *couldn't* be put on hold. And on 24 April 2025, in its reply to Mr R's complaint, Sainsbury's said he didn't need to disclose the cancellation to other insurers. It noted that in the call, Mr R was denied the chance to cancel the policy himself. It apologised for the standard of service in a call on 14 April 2025, and for the fact that Mr R was told in error in another call that he'd be able to contact the claims handler easily if the call cut out. It accepted that a promised call back to Mr R wasn't attempted - and that he hadn't been given a reference number so he could register on the portal. Sainsbury's offered another £175 compensation for these errors and its poor service. Subsequently Mr R raised a few further poor communication issues, but Sainsbury's didn't offer any further compensation.

One of our Investigators reviewed the complaint made to us by Mr R and Mrs R. She said Sainsbury's should pay Mr R a further £50 compensation (£425 in total) for poor service. And she said as they had to pay much more for a new policy due to the cancellation, it should refund the difference between that and the sum they would have paid otherwise. She also said any cancellation marker should be removed and Sainsbury's should provide a letter to say the policy was cancelled in error.

Mr R said an extra £50 compensation wasn't enough, given the amount of distress and inconvenience he and Mrs R had faced. He thought Sainsbury's hadn't understood the 2023 claim, which he said was non-fault. The Investigator pointed out that in fact the 2023 insurer had disallowed his no claims discount ('NCD') at the time. Mr R then said he and Mrs R had paid more than £675 in extra costs (including for the new insurance, plus postage, and calls) so the compensation should be at least £900.

Sainsbury's said it thought £375 compensation was sufficient. It said that sum covered the advisor on the initial call not giving Mr R a reference number for the portal, and the other advisor making an error about the cancellation being on hold. It said it had already told Mr R that no cancellation marker was in place, so there would be no future impact on his premiums, and that it had waived its cancellation charge. It said Mr R had been notified by letter and by email about the online portal, and he hadn't said he couldn't access it.

Sainsbury's also said it couldn't consider the difference in premium between its policy and the new one, as they were so different. In particular, it pointed out that the new policy was based on three years NCD - as opposed to six years NCD on the Sainsbury's policy - and that the 2023 claim (plus other claims) had been included on the new policy (and therefore charged for) whilst none were included on Sainsbury's policy.

The Investigator then issued a second view saying she couldn't ask Sainsbury's to refund the difference in the cost of the policies, and that she thought the £375 compensation offer was fair. Mr R said she hadn't understood that he was forced to take out the new policy due to Sainsbury's unfair cancellation and lost out as a result. He repeated that he'd declared the 2023 claim in February 2025 and said Sainsbury's should have asked for more details then if necessary. As there was no agreement, the complaint was passed to me for review. I issued a provisional decision along the following lines:

Notification of the 2023 claim

I've listened to the initial call between Mr R and Sainsbury's advisor in setting up the policy. Unusually, the advisor didn't ask about previous claims, and Mr R didn't provide any details on that issue. He got the policy documents shortly afterwards, and the welcome letter said he should check them to ensure all the information was correct. In the policy's Statement of Fact the question Mr R should have been asked by the advisor (have you had any claims, fault and non-fault, in the last five years) was set out, with the answer 'No'. Mr R missed the chance to correct the record at that point. It wasn't until the underwriter conducted standard verification checks a few weeks later that it found a record on the Claims and Underwriting Exchange database ('CUE') used by all insurers that the 2023 claim was noted.

Although Mr R is convinced that the 2023 claim was non-fault, as a technical issue with the car's handbrake led to the accident, the 2023 insurer later confirmed in writing that it was a fault claim. That's because it paid out to Mr R and to the other driver, and it had no way of recouping its losses. In these circumstances all insurers would have classed the claim as fault, even though Mr R wasn't to blame for the accident. Unfortunately, it was the undisclosed claim that started off the process that would end in the cancellation. I think both Sainsbury's and Mr R have to take responsibility for that claim not being on the record.

Communication with Mr R

The initial advisor should have asked Mr R about previous claims, and it emerged later that she should also have given him a reference number that would have allowed him to access the online portal. At the end of the call, I think it was reasonable for Mr R to assume that he'd be contacted by Sainsbury's by post (which he had said was his preference) and by email.

The initial advisor referred in passing to an email Mr R would receive telling him how to access the portal. The only information I've seen on this issue is that set out in the policy's welcome letter. It said Mr R could register to see his documents online and manage the policy from there, which sounds like an optional choice. I don't think it was made clear to him by Sainsbury's that it was important for him to register and then to check the portal.

Sainsbury's has provided evidence about the way the relevant letters were sent to Mr R and Mrs R. It seems the initial letter asking for contact was issued by email on 23 March 2025 and was uploaded to the portal. Mr R says he didn't get it, but Sainsbury's recorded that it was sent by email, so he should have done, and I can't say it was at fault. As there was no reply, Sainsbury's issued the cancellation notice on 31 March 2025 and recorded that it was sent by post and uploaded to the portal. There's no reference to an email, despite the importance of the letter - which was delayed in the post. Mr R didn't get it until 7 April 2025.

In my opinion, had it been made clear to Mr R how important it was to register for and check the portal, it's likely he would have done so. And if notice of the uploaded document issued on 31 March 2025 had been sent to him by email, I'd have expected him to check it. It seems Mr R wasn't really aware of the portal in terms of general correspondence until he got the letter on 7 March 2025. And even then, he didn't have the reference number to access it.

The letter confirming the cancellation on 10 April 2025 had taken place was sent to Mr R by post and was uploaded to the portal that day. It looks as though he didn't get an email then either, and as the letter was delayed in the post, he and Mrs R drove uninsured until he found out about the cancellation when viewing his bank account.

In my opinion, the communication with Mr R about the cancellation wasn't sufficient. I don't think the portal can be regarded as a valid means of communication when Mr R hadn't been told how important it was, and had no access to it anyway, due to the initial advisor's error. In my opinion, Sainsbury's didn't take this into account in considering its compensation offer.

The cancellation

Sainsbury's accepts that its advisor misled Mr R by telling him the cancellation would be put on hold. I'm not convinced it was reasonable for it to go ahead after Mr R contacted Sainsbury's. He copied it into the email he sent to the 2023 insurer that day asking it to provide the necessary details. The file shows that on 14 March 2025, the underwriter had asked Sainsbury's to get details of specific undisclosed claims from several consumers, including Mr R. It said all the claims were acceptable to it (subject to an additional premium). It also said that if that couldn't be done by 11 April 2025, Sainsbury's should cancel the policies. I assume that's why Sainsbury's set the cancellation date as 10 April 2025.

Mr R contacted Sainsbury's before that date, and it knew he'd found out about the cancellation notice late, due to a delay in the post, and that he had sought details from the 2023 insurer. I don't think it was reasonable to allow the cancellation to continue without contacting the underwriter, to see if there was any flexibility. I've listened to a call between Mr R and the underwriter, in which its representative said it wasn't made aware of the situation. I think there was a reasonable chance that the cancellation could have been avoided had Sainsbury's acted differently, but the possibility of that wasn't explored.

Redress

I think it was accurate for Sainsbury's to say that there were major differences between the policy Mr R and Mrs R had through Sainsbury's and the one they took out post-cancellation. In particular, the new insurer took into account the cancellation, the 2023 claim and others, plus a reduced NCD, when it rated the policy and arrived at the sum it required. It isn't clear why the claims weren't disclosed to the underwriter of Sainsbury's policy, but had it been aware of them, the cost of that policy is likely to have been significantly higher. So it wouldn't be reasonable to require Sainsbury's to pay the difference in the premiums.

From the details I've seen, Mr R paid the higher rate for cover for around four weeks. I think he had to pay around £200 extra, less the sum he would have had to pay for the Sainsbury's

policy that month. The rest of the higher premium should have been returned to him by the new insurer when he cancelled the policy to buy a cheaper one. Mr R can show that insurer evidence that there's no cancellation marker. It may agree to re-rate the policy, removing the extra premium that was based on the cancellation he declared to it. Although Mr R has mentioned other costs, such as calls, he hasn't provided any evidence of those costs, so I can't consider them.

In its offer of compensation, Sainsbury's says it took into account that Mr R wasn't given a reference number for the portal. I think the poor service from the advisor went further than that in not explaining the importance of the portal, when all correspondence would be directed there. And she didn't ask him about previous claims, which I think is likely to have prompted his disclosure of the 2023 claim. In my opinion, these were significant omissions that affected the entire process. As I've explained above, I don't think the communication with Mr R about the cancellation was good enough and I think Sainsbury's made another significant error in not contacting the underwriter about the cancellation.

Based on the information I've seen so far, and given the amount of poor service, the significant omissions, and the severe impact of all of this on Mr R and Mrs R, I'm minded to conclude that the compensation for distress and inconvenience should be £600. I may reconsider that sum depending on any further representations made by the parties in response to this decision.

Sainsbury's accepted my provisional view. Mr R accepted the increased compensation for distress and inconvenience - and said he and Mrs R were satisfied with Sainsbury's £375 offer for that. But he said I hadn't addressed their actual financial loss. He said it was 'fictitious' to say the new premium was increased by previous claims, and that he had established before renewal this year that previous claims added less than £20 to it. Mr R also said I hadn't mentioned Sainsbury's poor complaints system - and that the general costs I said hadn't been evidenced by him and Mrs R were impossible to quantify.

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.

Mr R is mistaken in not accepting that claims made on a policy can make a big difference to the premium an insurer will charge. I can't comment on the quotes he may have received recently. But the underwriter of the Sainsbury's policy has said it's likely to have charged around £100 just for the undisclosed claim from January 2023. It would also have charged for any other claims notified to it that were made during the previous five years.

In terms of the extra costs incurred by Mr R and Mrs R, most of the sum they paid to the new insurer was returned when Mr R cancelled that policy a month after taking it out. Sainsbury's told Mr R on 24 April 2025 that it had removed the cancellation marker. A further letter to that effect was issued in mid-May 2025. So I think Mr R was in a position to ask the new insurer quickly to re-rate the premium (for a refund of part of the charge it made for the month's cover due to the cancellation).

Based on the figures I've seen, the cost of the new policy was around £200 for a month. Mr R hasn't said otherwise. But the sum he and Mrs R would have paid for Sainsbury's policy that month must be deducted from that cost. The premium for that policy would have been higher had the 2023 claim had been disclosed. It would have been noted by the underwriter, and the NCD would have been reduced. So although it isn't possible to say exactly what it

was, I don't think the difference in cost between the two policies for that month would have been as great as Mr R may have assumed. I think it's likely to have been relatively small.

Mr R and Mrs R have other losses, but Mr R says it's impossible to provide evidence of costs, such as the many calls he made to Sainsbury's that wouldn't have been made had its service been better. Many consumers do provide detailed call / postage evidence to us, although I accept that it takes time to put it all together. But without it, I can't make an award for any actual costs incurred on those issues. Mr R also referred to the time he spent dealing with the claim. That's not measurable, but the compensation for distress and inconvenience is partly meant to make up for the effort Mr R had to make in trying to resolve the issues.

In terms of Sainsbury's complaints process, Mr R says it has systemic failures and that advisors' working patterns cause problems. We can't comment on an insurer's complaints handling process in itself, as it isn't a regulated financial product. Nor can we comment on its staffing arrangements. And we can't require insurers to change their procedures. Mr R's issues about not getting calls back and being unable to speak to advisors are part of the compensation for distress and inconvenience, as they are examples of general poor service.

The increase in compensation I proposed was largely to take account of two issues. The first was the poor service in not telling Mr R how important it was to view the portal. The second was the cancellation itself. Mr R may have cancelled the policy himself had he been advised differently. And I think the underwriter should have been contacted (although we can't know what the outcome of that would have been).

In my opinion, the financial loss was a result of these errors. Sainsbury's has accepted it was at fault and has tried to put things right, but I don't think it was wrong for it to say that the financial loss can't be calculated. In my opinion, the extra compensation I've proposed makes up for the extra upset caused to Mr R and Mrs R due to their unquantifiable financial loss and also helps to offset it. We think £600 is a substantial sum. It's meant to reflect the impact on a consumer of considerable upset and significant inconvenience. Mr R says he and Mrs R would have been content with £375, had the financial loss been added. Taking everything into account, I think requiring Sainsbury's to pay him and Mrs R £600 will ensure that they receive fair and reasonable redress overall for the issues they faced.

My final decision

My final decision is that I uphold this complaint. I require Sainsbury's Bank Plc to pay Mr R and Mrs R £600 compensation for distress and inconvenience. Under the Financial Ombudsman Service's rules, I must ask Mr R and Mrs R to accept or reject my decision before 19 March 2026.

Susan Ewins
Ombudsman