

The complaint

Mr E complained that Tesco Underwriting Limited mismanaged his no claims discount (NCD) on his motor insurance policy.

What happened

Mr E said that Tesco failed to recognise his correct NCD and wouldn't confirm it to his new insurer, and so his new insurer increased his premiums. He wanted Tesco to apologise, reinstate his NCD to at least ten years' and confirm that to his new insurer, pay him the "extra" premium he'd had to pay his new insurer, and compensate him for the distress and inconvenience he said Tesco's actions had caused him. Tesco accepted there'd been a minor service issue and offered him compensation of £50 for this. But they thought they hadn't done anything wrong regarding the NCD because they'd made the NCD terms of their policy clear to Mr E.

The investigator didn't recommend that his complaint should be upheld. She thought that Tesco had acted reasonably and in line with Mr E's policy. Mr E didn't agree and so I've been asked 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.

In bringing this complaint Mr E has made a number of detailed points. I've considered everything he's said carefully, but in this decision I will focus on what I see as being the key points.

Insurers created NCDs as a discretionary discounts system, and this means that different insurers will apply them differently, according to the terms of their policy, although there can be some generally agreed conventions, and most have a maximum number of years they will consider.

Mr E had confirmation from his previous insurer before he took out his policy with Tesco that he had 16 years' no claims driving. However under Tesco's policy Tesco provided a maximum of nine years' NCD at outset, it was not a protected NCD, and Tesco reduced it to three years after there was a fault claim under his policy. Mr E said that wasn't fair because Tesco didn't properly recognise his overall total period of driving without claims.

Mr E didn't dispute that Tesco were entitled to apply a maximum nine year NCD, but he said he understood this to be only a premium pricing discount, and Tesco did not give him clear information when he took out his policy that the consequence of there being a claim under the policy was that Tesco would ignore any actual claim free years above their maximum nine year NCD and wouldn't confirm any longer period to a new insurer. Mr E referred to this as Tesco "contractually extinguishing" any period above their nine years. He said Tesco didn't make that clear and a consumer would not expect that to happen. He thought that Tesco's actions were disproportionate and unfair and that they'd penalised him twice, firstly by artificially capping his actual NCD at their maximum of nine years and then applying their fault claim reduction period to that artificial nine years, rather than to the actual period during

which he'd been driving without claims. He wanted them instead to apply their NCD claim reduction to his actual total accrued period of driving without claims.

Tesco's type of maximum period of no claims discount is common industry practice, and we don't think it is necessarily unfair. However we do still expect that an insurer will make clear in their policy documents what their maximum NCD is and how they will reduce it if there is a claim, so that a consumer can make an informed decision.

Having looked at the policy documentation Tesco sent Mr E, I see that the policy schedule and statement of fact indicated that his NCD was nine years, and the statement said that it was not protected. The policy included a table which was clear that Tesco would reduce any non-protected NCD of five plus years to three years after a claim. The policy booklet gave Mr E 14 days from receiving the policy to cancel it. The welcome letter sent with the policy information asked Mr E to review the policy documents to ensure the details were correct and met his needs and to contact them if not.

I think the above information Tesco gave Mr E is clear and not misleading. I think that Tesco did make him aware that they would give him only a maximum nine years' NCD when he took out the policy and they didn't count any other years, and that if he chose not to protect the NCD, and had a claim, they would reduce that nine year NCD to three years. By taking out the policy Mr E has accepted those terms. All Tesco have to confirm is the NCD period they have given Mr E under the policy.

Mr E thinks that what Tesco did say was insufficiently transparent about the consequence of their maximum NCD period and the effect of a claim on their policy on someone who had a longer period of driving without claims. He thinks that Tesco should have specifically warned a potential insured about that. I don't agree because I think the policy terms are clear and not unusual or unreasonable. It's for any potential insured to consider if that's what they want to accept if they already have a claims free driving period of more than nine years, and if they want to protect their NCD or not. I realise Mr E has found the situation frustrating, but I don't think that Tesco acted unfairly as regards his NCD with them and so I don't ask them to do any more there.

Tesco have acknowledged that they mistakenly told Mr E that back office staff would call him back, and for that minor service issue they offered him compensation of £50. I think that does reasonably reflect Mr E's inconvenience due to that and I'd expect them to pay Mr E that if they haven't already.

My final decision

For the reasons given above, it's my final decision that I do not uphold the complaint.. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 18 May 2026.



Rosslyn Scott
Ombudsman