

The complaint

Miss M complains that Tesco Underwriting Limited (Tesco) unfairly handled the renewal of her motor insurance policy.

What happened

I previously issued my provisional decision on this case, which was as follows:

The circumstances of this case are known to both parties, but in summary Miss M had a motor insurance policy underwritten by Tesco. In June 2025, Tesco invited Miss M to renew her policy using the email address she provided at application. Tesco sent three further reminders to the same email address before the policy lapsed in July 2025. Tesco emailed Miss M to notify her the policy lapsed. Miss M was subsequently pulled over for driving without insurance and had her car impounded. So Miss M complained to Tesco as she said the policy should have automatically renewed, and it failed to let her know despite updating her email address during the policy year.

Tesco didn't uphold the complaint. It said when Miss M applied for the policy, she provided her partner's email address and requested that it contact her via email. It also said Miss M didn't select the option to automatically renew and this was set out in the policy documentation it provided upon inception. Tesco said while Miss M provided a secondary email address, this was in relation to a claim and so she would need to update this with the policy administrator. Unhappy with the response, Miss M referred her complaint to this Service.

Our Investigator didn't uphold the complaint as they said Tesco had acted fairly by contacting Miss M through the communication method she requested when taking the policy out. Miss M disagreed and asked for an Ombudsman to make a final decision. She provided a comprehensive response, but in summary said Tesco failed to amend her email address over the lifetime of the policy, and also failed to do so after her complaint. And the consequences in failing to do so will likely lead to her having her driving license revoked.

So, the case has been passed to me to decide.

What I've provisionally 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 know I've summarised the circumstances of this case in less detail than presented. But I want to assure both parties that I've carefully considered all the information provided. I may not respond to every point or piece of evidence. But I've focused on the issues I consider to be key to the outcome of the case. This isn't meant as a discourtesy but reflects the informal nature of this Service – and the rules this Service are expected to adhere to enable me to do this.

Having reviewed all available evidence, I intend to uphold this complaint. I'd like to explain why.

I have carefully reviewed the policy and I am satisfied Miss M originally provided her partner's email address and confirmed that email was her preferred method of communication. This was also confirmed in the policy documentation provided to Miss M through Tesco's online portal – which Miss M had access to. So, I don't find it unreasonable that Tesco provided Miss M with her renewal invitations through her preferred method of communication.

I also recognise that Tesco is acting in its capacity as an insurance underwriter here. And so while Miss M is of the view that she updated her email address, she only did so with the underwriter of the policy following a claim. And the email address she provided was provided as an alternative email address, rather than the primary email address. And I haven't seen anything to suggest that Miss M asked for the original email address to be removed.

The policy terms and conditions explain that should a policyholder wish to make a change under the policy, they would be required to contact the policy administrator. While I understand the reasons why Miss M found the underwriter and the policy administrator to be linked firms, they are wholly separate entities. And so, Miss M would have needed to update her details with the administrator as set out within the policy terms.

However, motor insurance is a legal requirement. And given the significant consequences of having no cover in place, I'd expect insurers to take reasonable steps to ensure customers are sufficiently aware of their insurance coming to an end. And relevant regulatory rules say firms have a duty to ensure its customers avoid foreseeable harm. So, I have gone on to consider whether Tesco has acted fairly and reasonably in its handling of the policy lapsing.

Due to the significant risk of driving without insurance, I think it's good industry practice for an insurer to use two different forms of communication when notifying a policyholder that it wouldn't be insuring them any longer. However, Tesco has shown that it only sent one communication to Miss M by email to notify her that her policy had lapsed.

Given the seriousness of a policy ending without replacement cover in place, I think it was reasonably foreseeable that relying on a single email could lead to a customer not realising their insurance had lapsed. That's especially true where the consequences of driving uninsured are so significant. In my view, it would have been fair and proportionate for Tesco to have taken an additional step – such as sending a letter or attempting contact through another method – to reduce that risk.

So, while I accept it was reasonable for Tesco to communicate with Miss M about her renewal solely through her preferred method of contact, I see the notification that a policy has lapsed as meaningfully different from a renewal invitation. While renewal relates to a choice the customer can make, the lapse notification concerns the complete ending of cover.

I don't think Tesco took reasonable steps to inform Miss M that her policy had ended and this resulted in Miss M unknowingly driving her car uninsured which then led to impound costs as well as Miss M being prosecuted for driving without insurance. This has understandably caused significant distress and worry given that Miss M hasn't had her license for long and the impact of prosecution is significant here.

So, it follows that I'm satisfied Miss M has been stopped for driving uninsured due to Tesco's failure to provide reasonable notice the policy had lapsed. Miss M has incurred consequential losses due to this, including £244 to release her car from being impounded, as well as £47.35 in taxi costs. I think Tesco should reimburse Miss M these costs and

award 8% simple interest on these from the date of payment to the date of settlement, to recognise the time Miss M should have had access to these funds but didn't.

I also intend to direct Tesco to award Miss M £400 in recognition of the significant distress and inconvenience she has understandably experienced due to being pulled over and the worry of subsequent prosecution. I think this amount is fair and proportionate in the circumstances and is consistent with our award bands where a firm's actions have caused significant worry and upset.

Miss M explained she is particularly worried about the potential impact on her driving license, as she hasn't held it long. I appreciate why this has caused her considerable anxiety. Although I can't determine the outcome of any court process, I think that the circumstances here mean that Tesco's actions contributed to Miss M driving without insurance unknowingly. So I think it's fair that Tesco should provide a letter of indemnity to support her in explaining what happened.

Miss M has also said that she has incurred additional insurance costs. I don't intend to direct Tesco to compensate Miss M for these costs as ultimately Miss M was always in a position where she would need to pay for insurance following the lapse of her previous policy. And I haven't seen anything to suggest the costs she incurred are beyond what she would otherwise have paid.

Responses

Miss M responded to the provisional decision, agreeing in part. She explained that although she accepts new insurance would have been needed after the policy ended, the costs incurred weren't part of a normal renewal. After the vehicle was impounded, Miss M took out a standard policy costing £180.24, which was later voided because the car was in police custody, and so incurred a £130 administration fee. And to urgently release her car, she then obtained short-term insurance at a much higher cost of £366.24. Miss M said these unexpected and unavoidable costs arose directly from Tesco's failure to provide reasonable notice that the policy had lapsed, and that advance notice would have allowed her to arrange cover in the usual way and avoid the additional expense.

Tesco disagreed with the provisional decision. It said Miss M was sufficiently aware that the policy was due to expire. It said it complied with the relevant ICOBS requirements and provided clear, repeated renewal and expiry communications through Miss M's chosen communication channel, and this included three email reminders, the policy documentation, and a recorded telephone call in which the expiry date was explicitly confirmed. Tesco said this demonstrated layered and direct notification.

Tesco also said retrospective indemnity is inappropriate as no contract of insurance was in force after the policy expiry, and providing cover would breach core insurance principles by exposing underwriters to unassessed risk and placing Miss M in a better position than if the policy had renewed.

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.

Given both parties have agreed with my summary of the circumstances surrounding the complaint, I won't revisit the events in any detail. Instead, I have gone on to consider each party's responses to determine if this changes things.

Having done so, I won't be departing from my provisional decision or the remedy I have set out. I'll explain why.

There is no dispute between the parties about when Miss M's policy expired. The central issue in this complaint is whether Tesco took reasonable steps to ensure Miss M was made sufficiently aware that her cover had come to an end, rather than whether the policy itself expired.

In response to Miss M

I thank Miss M for setting out the costs she has incurred following the impound of her car. And the impact this had on her health. I recognise she would've experienced significant worry and upset following the events of this complaint. But I'm satisfied my original direction is proportionate and reasonably recognises the distress and inconvenience. And while I'm empathetic to Miss M's circumstances, I won't be directing Tesco to reimburse Miss M the costs she outlined. I say this, as I've carefully considered whether the additional insurance related costs Miss M has outlined arose directly from Tesco's failure to provide reasonable notice that her policy had lapsed. But I don't think that's the case here.

While I accept that the need to obtain replacement insurance arose following the lapse of Miss M's policy, I'm not persuaded that the specific costs incurred flowed directly from Tesco's actions. In particular, the suitability and terms of any replacement cover were matters Miss M needed to satisfy herself about at the point of purchase. When applying for new insurance cover, there was an onus on Miss M to ensure the policy met her needs. And so, if she entered into an agreement which wouldn't be effective if the car was impounded, then this is something that she was required to check before going ahead with the purchase. If this wasn't made clear to her, then she could look to raise these concerns with that specific insurer.

And as explained in my provisional decision, Miss M would always have incurred some costs in insuring her car following the expiration of her policy with Tesco. And I haven't seen anything to suggest the cost was disproportionately high. In the absence of any further evidence to demonstrate this and taking into account that Miss M would've always incurred a cost for cover following the expiration of her previous policy, I don't think it is reasonable that Tesco reimburse Miss M these costs.

In response to Tesco

I've considered Tesco's view that it issued several renewal reminders through Miss M's chosen communication channel. However, I consider renewal invitations, which invite a customer to make a choice, to be materially different from a notification that cover has ended, which carries significant legal and financial consequences.

As I outlined in my provisional decision, I agreed it was reasonable for Tesco to communicate renewal information with Miss M through her selected method of communication. However, the cessation of cover is a separate and significant event. And in my view, Tesco should have looked to notify Miss M of her cover having ceased using two forms of communication – in line with good industry practice. This is so that should a policyholder lose access to one form of communication, there is a contingency to ensure they can be informed of any significant changes to their policy. I'm not persuaded Tesco took reasonable steps to inform Miss M that her policy had ended, given it only communicated this through a single communication channel, and this resulted in Miss M unknowingly driving her car uninsured.

I would add that although Tesco has referred to recorded telephone calls in which the policy expiry date was mentioned, I'm not persuaded this amounted to clear notice that the policy would not automatically renew, or that Miss M was at risk of being left without cover. And in my view, referencing an expiry date is not the same as clearly warning a policyholder that their insurance will cease unless they take further action.

From my understanding, the period between Miss M's cover ending and her being pulled over wasn't significant. And there is no evidence to suggest Miss M needed to make a claim over this period. And while I recognise Tesco's comments about providing a letter of indemnity, I find this to be a reasonable step given the compulsory nature of motor insurance and the serious consequences of driving uninsured as ultimately, I think it was reasonably foreseeable that relying on a single communication channel could result in Miss M being left unaware that her cover had ended.

Taking all of this into account, I remain satisfied that while Tesco acted reasonably in issuing renewal communications, it didn't take reasonable steps to ensure Miss M was aware that her cover had ceased.

My final decision

For the reasons I have explained above, I uphold this complaint and direct Tesco Underwriting Limited to:

- Reimburse Miss M's consequential transport costs of £47.35 and award 8% simple interest* on this sum from 30 August 2025 to the date of settlement
- Reimburse Miss M's consequential loss of £244 to release her car and award 8% simple interest* on this sum from 1 September 2025 to the date of settlement
- Pay Miss M £400 in recognition of the distress and inconvenience caused; and
- Write a letter of indemnity to Miss M to help her defend her court case for driving without insurance.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 7 May 2026.

Oliver Collins
Ombudsman