

The complaint

Mr P complains Tesco Underwriting Limited unfairly cancelled his motor insurance policy.

What happened

In February 2023 Mr P was involved in a motor collision with a third-party. He claimed for the damage to his vehicle against his Tesco motor insurance policy. Mr P told Tesco he would soon be going on a trip until June 2023. It wasn't possible for repairs to be completed before his departure.

When validating the claim Tesco discovered Mr P had made a claim in August 2018. It felt as Mr P had failed to disclose it, when taking out the policy, he hadn't paid the correct premium. From mid-March 2023 it made various attempts, including by phone and email, to contact him about the issue. It provided two options. He could pay an additional premium of £45 or cancel his policy. As it didn't receive a response, after a warning, it cancelled the policy in late April 2023.

When Mr P returned to the UK, in June 2023, he contacted Tesco. He asked for his policy to be reinstated. It told Mr P it couldn't do that but could offer a new policy. He wasn't satisfied so raised a complaint. He asked that Tesco compensate him for causing him trouble by unfairly cancelling his policy when he was away.

Tesco didn't accept it had unfairly cancelled the policy. It said it had tried to contact him about the undisclosed claim and additional premium request. It didn't accept internet issues had prevented him from responding. Instead it thought Mr P had chosen not to.

Mr P wasn't satisfied. His car hadn't been repaired, he didn't have cover and he wanted compensation. So he asked this service to consider his complaint.

Our Investigator felt Mr P had made a 'qualifying misrepresentation' about a previous incident. So it was reasonable for Tesco to request the additional premium. But she felt it should have waited until he had returned from his trip instead of cancelling his cover. She felt if it had he would have paid.

The Investigator felt a fair outcome would be for Tesco to repair Mr P's vehicle, set up new a policy for him and to remove any cancellation marker from his records. She felt a refund of premium already paid to Mr P should be considered as being in lieu of any compensation.

Tesco agreed to remove any record of the cancellation. It instructed its repairers to deal with Mr P's car. It said he had always had the option to take out new cover. Mr P asked that an ombudsman consider his complaint. He felt Tesco had unfairly cancelled his policy whilst he was away as he had been unable to respond to its emails. He also said the premium refund hadn't been calculated correctly.

Mr P's also raised dissatisfaction with Tesco's decision to accept him jointly liable for the incident. This decision doesn't consider that aspect. It only considers the issue related to the policy cancellation and delay to repairs.

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.

Having considered this complaint, I'm not going to require Tesco to reinstate Mr P's policy or pay him any additional compensation or premium refund.

Ultimately the origin of the issue is Mr P's failing to disclose the August 2018 claim. The Investigator explained the relevant legislation, CIDRA. So I'm not going to give a detailed assessment of the application of those rules to Mr P's circumstances. I'll just summarise my thoughts.

Mr P hasn't denied the August 2018 claim. So I'm satisfied it happened. I'm satisfied he failed to take reasonable care not to make a misrepresentation by not correcting the January 2023 policy statement of fact sent to him by Tesco. This showed no claims in the last five years. I'm satisfied Tesco would have offered him cover at a higher premium if he had declared it. So it was his 'qualifying misrepresentation' that initiated this unfortunate chain of events.

Tesco's offer of an additional premium or cancellation may not have been in line with CIDRA. But I can't say Mr P was worse off as a result. A proportionate claim settlement, that may have been in line with CIDRA, could well have resulted in him being liable for a shortfall in Tesco's settlement of his and the third-party's claim.

Tesco was aware Mr P was away. Because of that it tried to contact him by email. It seems he received at least some of these. It might have been reasonable for Tesco to wait until a little after his known return date before cancelling his policy. He may then have paid the additional premium and avoided the cancellation. On the other hand Mr P, having received some of the emails at least, perhaps could have done more to engage with the situation.

In any event, I don't feel Mr P's unfairly lost out having considered his role in this. Tesco offered him new cover soon after his return. Importantly it agreed to remove any external record of the cancellation – so he shouldn't be negatively impacted by the cancellation in the longer term.

Unfortunately it wasn't possible to repair the car before Mr P went on his trip. And there was some confusion about arranging repairs after he returned. Again I can't put responsibility for this delay fully on Tesco. But importantly, as I understand it, repairs will soon be made or have already.

In addition Mr P received a £300 pro-rata refund for the cancelled policy. That was calculated from the April 2023 cancellation date. He feels that isn't enough as the policy was cancelled earlier in February 2023. I've seen the cancellation letter giving April 2023 as the date. So I'm satisfied Tesco was on risk until that date. So I can't say the refund was unfair.

So whilst Tesco possibly could have done things differently Mr P played his own part in events. As I've set out above the key issues have been cleared up now. I don't believe Mr P will lose out financially. So for those reasons I'm not going to require Tesco to reinstate his policy, pay him any compensation or an additional refund. I will limit my direction to requiring it to follow through with its offer to remove the record of cancellation.

My final decision

For the reasons given above, Tesco Underwriting is required to remove any external record of the policy cancellation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 11 January 2024.

Daniel Martin
Ombudsman