

The complaint

Mrs W complains that Tesco Underwriting Limited (“Tesco”) is responsible for poor service in connection with her motor insurance policy.

What happened

The subject matter of the complaint is a small car, first registered in 2009.

For several years, Mrs W had a comprehensive policy with Tesco.

Mrs W acquired the car in about 2016 and put it on the policy.

She renewed the policy for the year from early August 2022. The premium for the year was going to be about £200.00 plus interest for paying by instalments.

Mrs W had nine years’ no-claims discount (“NCD”). She paid for the optional extra of a “protected” NCD, so that a single claim in the policy year wouldn’t affect her NCD.

Mrs W didn’t pay for the optional extra of breakdown cover.

Unfortunately in early February 2023, Mrs W swerved and hit a roundabout. Her car suffered damage to a tyre and a wheel. She contacted Tesco. It arranged for a roadside assistance company to recover her damaged car to her home.

Mrs W bought a replacement wheel and a replacement tyre.

About ten days after the incident, Mrs W told Tesco that she didn’t want to make a claim on her policy. Tesco said that it had incurred the cost of the recovery. But it gave Mrs W the option to reimburse that cost – in which case it would record the incident “for information only”.

By a letter dated 20 February 2023, Tesco said that when it received the invoice from the roadside assistance company, it would contact Mrs W.

By 28 March 2023, Tesco had received and paid the roadside assistance company’s invoice for £130.08. Tesco didn’t tell Mrs W or send her the invoice. So she didn’t reimburse it.

Mrs W changed her vehicle in May 2023 and told Tesco. Tesco asked her to pay an additional premium. Tesco sent her documents including one that recorded the February 2023 incident as a fault claim against her. Mrs W contacted Tesco to query that.

By a letter dated early June 2023, Tesco said that if Mrs W reimbursed the £130.08, then it would close the case as a non-fault incident, otherwise it would close the case as a fault accident.

Mrs W didn’t pay the £130.08.

By mid-June 2023, Mrs W had complained to Tesco that it had recorded a fault claim against her. By a final response dated mid-June 2023, Tesco turned down the complaint.

Mrs W brought her complaint to us in early July 2023.

For the year from early August 2023, Mrs W renewed her policy at a higher premium.

our investigator's opinion

Our investigator recommended that the complaint should be upheld in part. He thought that Tesco was responsible for unreasonable and avoidable delay in notifying Mrs W upon the receipt of the invoice as promised. This caused an unreasonable and avoidable delay in the opportunity for Mrs W to reimburse Tesco so that it would've recorded the claim as 'notification only'. This caused her trouble, upset and loss of expectation, the investigator said.

The investigator recommended that Tesco should:

1. award Mrs W £100.00 as compensation for the distress, inconvenience and loss of expectation it caused her; and
2. record the incident as 'notification only' on any internal and external databases once Mrs W pays the £130.08;
3. re-rate the policy considering the claim as 'notification only' rather than 'fault' and refund Mrs W any difference in premiums she may have paid if the claim being left open as 'fault' has impacted Mrs W's policy premiums (following her updating her existing policy after changing her vehicle in May and following her policy renewal in August). But if Mrs W doesn't pay the invoice, then Tesco don't have to do this.

my provisional decision

After considering all the evidence, I issued a provisional decision on this complaint to Mrs W and to Tesco on 13 December 2023. I summarise my findings:

Mrs W implied that she is not willing to make the payment of the £130.08 which was the condition for the investigator's recommendations of recording the incident as notification only and of refunding the effect of the fault claim on the premium increases in May and August 2023.

Tesco's delay from February or March 2023 to early June 2023 caused Mrs W unnecessary upset and inconvenience when she read of the fault claim in her change of vehicle documents, and again when she read the letter of early June 2023.

Subject to any further information either from Mrs W or from Tesco, my provisional decision was to uphold this complaint in part. I intended to direct Tesco Underwriting Limited to:

1. pay Mrs W £100.00 for distress and inconvenience; and
2. provided that Mrs W pays Tesco £130.08 on or before 1 February 2024:
 - 2.1 amend the internal and external records of the incident in February 2023 to "information only"; and
 - 2.2 adjust accordingly Mrs W premiums for the policy for the period from May 2023 to August 2024; and
 - 2.3 refund any overpayments of premium to Mrs W.

Mrs W and Tesco each accepted the provisional decision. So I see no reason to change my view.

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 my view, the incident and the damage were bound to cause Mrs W some upset and inconvenience. She had been involved in an accident rather than a breakdown. In any event, she ought reasonably to have known that Tesco hadn't provided breakdown insurance to her.

She called Tesco asking for help. That could only be under her motor insurance. She was, in my view, making a claim on the policy.

Tesco instructed its roadside assistance company. So it incurred a liability to make an outlay to that company.

In such circumstances, it's common practice for the insurer to record an open claim or a fault claim against its policyholder, unless and until the insurer establishes that it has no net outlay (typically because the insurer recovers its outlay from a third party, but sometimes because the policyholder reimburses the insurer).

From the call recordings and letters in February 2023, I'm satisfied that Tesco explained, and Mrs W understood, that if she reimbursed its outlay, it would record the incident for information only. Tesco promised to contact Mrs W when it received the invoice from the roadside assistance company.

Tesco must've received the invoice in February or March 2023. So I don't condone its failure to contact Mrs W.

However, I keep in mind the common practice and Mrs W's continuing opportunity to reimburse Tesco. So I don't find that Tesco treated Mrs W unfairly by recording a fault claim against her.

I find it likely that her new car attracted a higher premium. I haven't seen enough evidence of the amount of the increased premium or any effect of the fault claim at the time of the change of vehicle in May 2023.

I accept Mrs W's view that her contact about the increased premium caused Tesco to contact her about the £130.08. I accept that she was upset to be reminded about this four months after the incident.

Nevertheless, Tesco's letter wasn't a demand for payment. Rather, it confirmed that Mrs W still had the opportunity if she wished to pay the £130.08 to change the record from a fault claim to information only. I don't find that unfair. And I don't consider that Tesco's delay had changed that opportunity.

Mrs W chose not to reimburse the £130.08 before she renewed the policy in August 2023. I haven't seen enough evidence of the amount of the increased premium or the extent to which it was the effect of the fault claim or of other factors such as general price inflation.

The investigator's opinion was as I've summarised above. Apart from the £100.00 compensation, the recommendation was subject to Mrs W paying the £130.08.

In response to the investigator's opinion, Mrs W said the following:

"I'm happy with the outcome and appreciate your help to get me some compensation. I feel that £100 is fair and will help cover some of the costs for the wheel & tyre and also any increase in premiums. By the time it comes round to renewal in 2024 the fault claim on my policy will have been on there for 18 months and may only have a small impact next year!"

I've thought carefully about that. I consider that Mrs W implies that she is not willing to make the payment of the £130.08 which was the condition for the investigator's recommendations of recording the incident as notification only and of refunding the effect of the fault claim on the premium increases in May and August 2023.

Mrs W's response will reinforce Tesco's view that Mrs W never intended to reimburse the £130.08.

Nevertheless, I consider that Tesco's delay from February or March 2023 to early June 2023 caused Mrs W unnecessary upset and inconvenience when she read of the fault claim in her change of vehicle documents, and again when she read the letter of early June 2023.

Putting things right

Overall, I find it fair and reasonable to direct Tesco to:

1. pay Mrs W £100.00 for distress and inconvenience; and
2. provided that Mrs W pays Tesco £130.08 on or before 1 February 2024:
 - 2.1 amend the internal and external records of the incident in February 2023 to "information only"; and
 - 2.2 adjust accordingly Mrs W premiums for the policy for the period from May 2023 to August 2024; and
 - 2.3 refund any overpayments of premium to Mrs W.

I've thought about directing Tesco to pay interest at our usual rate on any such overpayments. However, I keep in mind the following factors:

- Mrs W hasn't paid Tesco the £130.08.
- Such payment would've reversed any overpayment of premium sooner.
- Mrs W hasn't said she's willing to pay the £130.08.

So I won't direct Tesco to pay interest to Mrs W.

My final decision

For the reasons I've explained, my final decision is that I uphold this complaint in part. I direct Tesco Underwriting Limited to:

1. pay Mrs W £100.00 for distress and inconvenience; and
2. provided that Mrs W pays Tesco £130.08 on or before 1 February 2024:

- 2.1 amend the internal and external records of the incident in February 2023 to “information only”; and
- 2.2 adjust accordingly Mrs W premiums for the policy for the period from May 2023 to August 2024; and
- 2.3 refund any overpayments of premium to Mrs W.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs W to accept or reject my decision before 16 January 2024.

Christopher Gilbert

Ombudsman