

The complaint

Ms D and Mr W complain about the service they received from Sainsbury's Bank Plc, whilst it was administering their home insurance policy.

Ms D and Mr W are joint policyholders. As most of the communication relating to the complaint has been from Ms D, I'll refer mainly to her in my decision.

What happened

In late 2021, Ms D took out a home insurance policy through Sainsbury's Bank. In around April 2022, she made a claim under the policy. The insurer arranged for a loss adjuster to visit the property to validate the claim.

In July 2022, Ms D received a letter from Sainsbury's Bank saying her policy was going to be cancelled in ten days' time. Ms D phoned Sainsbury's Bank, who told her that the decision to cancel the policy was made by the insurer because she had a lodger living in the property and had ongoing building work. Ms D disputed having a lodger and said she had declared building work when she took out the policy. Sainsbury's Bank told her she'd need to raise her concerns with the insurer.

Ms D then received a letter from Sainsbury's Bank thanking her for letting it know she wanted to cancel her policy, even though she hadn't asked for the policy to be cancelled.

After Ms D raised a complaint with the insurer, it referred it back to Sainsbury's Bank. The insurer said it seemed the decision to cancel the policy had been taken by Sainsbury's Bank.

Sainsbury's Bank didn't respond to Ms D's complaint, so she asked our service to consider it. Sainsbury's Bank acknowledged it had made some errors, but it said it didn't think these had caused Ms D any detriment.

Our investigator thought Ms D's complaint should be upheld because of poor service provided by Sainsbury's Bank. She acknowledged that Sainsbury's Bank had waived the cancellation and broker fees. But she recommended it also pay Ms D £100 for distress and inconvenience.

Sainsbury's Bank disagreed with our investigator's outcome. It said the insurer was entitled to void the policy, so Ms D had benefitted from this not taking place. It said it didn't call Ms D but there was nothing to discuss as based on the information from the insurer, there was no course of action other than to cancel the policy. It was necessary to refer Ms D to the insurer as Sainsbury's Bank couldn't comment on the claim. It said its cancellation letter should have been better worded, but it had refunded the setup and cancellation fee (totalling £60), which it thought was reasonable.

As Sainsbury's Bank disagrees with our investigator's outcome, the complaint has been passed to me 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.

Having done so, I've reached broadly the same conclusions as our investigator. I'll explain why.

Only insurers can make the decision to cancel or void a policy. This means that Sainsbury's Bank was only entitled to cancel Ms D's policy upon the insurer's instruction.

I can see that the insurer raised some concerns with Sainsbury's Bank that Ms D may have provided inaccurate information when she took the policy out. The insurer told Sainsbury's Bank the claim had been declined. It asked Sainsbury's Bank to contact Ms D and advise her that the policy didn't include lodgers or buildings work and to suggest cancelling it and arranging insurance elsewhere, as there might not be cover in the event of a claim.

Sainsbury's Bank says it didn't contact Ms D as the insurer had requested. Instead, it jumped straight to cancelling the policy. However, Sainsbury's Bank says, even if it had spoken to Ms D, the policy would still have needed to be cancelled.

Sainsbury's Bank says it was necessary to refer Ms D to the insurer as it couldn't comment on the claim. It says Ms D would have needed to discuss the claim with the insurer anyway, so doing so didn't cause her any inconvenience.

Ms D disputes answering Sainsbury's Bank's questions inaccurately when she took out the policy. However, she says she doesn't wish to challenge the decision to cancel her policy any further.

Based on what I've seen, I think it's likely that Ms D's policy would have been cancelled even if Sainsbury's Bank had contacted her as the insurer requested. However, I think Ms D and Mr W were caused unnecessary distress and inconvenience as a result of Sainsbury's Bank's handling of the matter.

I think it would have been upsetting for Ms D and Mr W to receive a letter from Sainsbury's Bank saying their policy was being cancelled without being told why. Sainsbury's Bank has commented that it was necessary to refer Ms D to the insurer as it couldn't comment on the claim. However, the letter didn't refer to the decline of the claim, only the policy being cancelled. It was no doubt frustrating for Ms D to be referred to the insurer and then be told that she was being referred back to Sainsbury's Bank.

Ms D was caused additional inconvenience and confusion when she received a letter from Sainsbury's Bank thanking her for letting it know she wanted to cancel the policy, when she hadn't requested it be cancelled.

From what I've seen, the insurer referred the matter back to Sainsbury's Bank in October 2022. However, Ms D doesn't appear to have received any further contact from Sainsbury's Bank. It looks like Sainsbury's Bank only looked into her concerns after Ms D referred her complaint to us.

I appreciate Sainsbury's Bank thinks waiving the set up and cancellation fees is enough to compensate Ms D for the poor service it's provided. However, it's only acknowledged that its cancellation letter should have been worded better. I don't think it fully appreciates the impact its actions have had on Ms D and Mr W.

Having considered everything, I think it would be fair and reasonable for Sainsbury's Bank to pay Ms D and Mr W £100 compensation for distress and inconvenience.

Putting things right

Sainsbury's Bank should pay Ms D and Mr W £100 for distress and inconvenience.

My final decision

For the reasons I've explained, I uphold this complaint and direct Sainsbury's Bank Plc to put things right by doing as I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D and Mr W to accept or reject my decision before 27 October 2023.

Anne Muscroft
Ombudsman