

## **The complaint**

Mr F complains that Sainsbury's Bank Plc cancelled his motor insurance policy.

## **What happened**

Mr F took out a motor insurance policy through Sainsbury's Bank. The policy is underwritten by an insurer but Sainsbury's arranged the policy and collected the payments through a credit agreement with Mr F.

The policy started in July 2023, with an initial payment and then further payments due to be made on the first day of each month, starting on 1 September. Mr F made the payments in September and October but November's payment was missed.

Sainsbury's wrote to Mr F advising that it would make another attempt to collect the payment and if the payment wasn't made by 25 November, the policy would be cancelled. Mr F was asked to get in touch if he was in financial difficulty.

Sainsbury's also sent a text message informing Mr F of the failed payment and advising that if he was having trouble paying, he could apply for a payment deferral. Mr F didn't contact Sainsbury's, but made the payment online on 24 November 2023. The same thing happened the following month and again each month until April 2024.

Sainsbury's wrote to Mr F on 5 April 2024 informing him of the missed payment, said the payment would be reattempted in five working days and if the payment wasn't received by 27 April his credit agreement and policy would be cancelled. Mr F was asked to get in touch if he needed any assistance or was in financial difficulty.

A further letter was sent on 16 April 2024, advising Mr F he needed to bring his payments up to date before 28 April; if no payment was made before then, the policy would be cancelled on that date.

Mr F called Sainsbury's on 25 April 2024. He said he was having financial difficulties and asked for a payment deferral to 1 May. Sainsbury's didn't agree to this, saying by then, the payment for May would be due, and it wouldn't agree to a payment deferral as Mr F only had three months left on the policy; spreading the arrears over that short period, given his payment history, would only lead to further financial difficulties.

The policy was cancelled on 29 April 2024.. Mr F complained about this but Sainsbury's didn't change its decision. When he referred the complaint to this Service, our investigator said she thought it was fair to cancel the policy in the circumstances. Mr F disagrees and has requested an ombudsman's decision.

## **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.

The policy terms says Sainsbury's may cancel the policy "*at any time by giving you 7 days'*

*notice in writing. We or your Insurer will send a cancellation letter and/or email to the latest address/email address we have for you. Neither we nor your Insurer will ever cancel your policy without a valid reason for doing so.”*

Reasons given in the policy terms include “*where we are unable to collect a premium payment from your nominated account or we are notified by your bank that the direct debit is cancelled or invalid or has been reclaimed through the direct debit indemnity scheme.*”

So Sainsbury’s was able to cancel the policy according to the policy terms. But I’ve considered whether it was fair to do this in the particular circumstances of Mr F’s case.

I appreciate that Mr F did contact Sainsbury’s and request a deferral. However, he only did that at the last minute, when the policy was about to be cancelled. He had failed to make six of his direct debit payments on time. After each failed payment, Mr F was contacted to inform him of the issue and advised if he was having financial difficulty, he could contact Sainsbury’s to discuss possible options.

Mr F hadn’t engaged with Sainsbury’s during the previous six months. By the time he did get in touch, the amount of time left on the policy made it difficult to spread the cost over the remaining time. If Sainsbury’s had agreed his request to defer the payment until early May, May’s payment would have been due, so he would have had to make two payments.

Firms are expected to work with their customers, for example by allowing an opportunity to pay arrears, or waiving cancellation fees, and Sainsbury’s did this. Mr F was not charged a cancellation fee, and Sainsbury’s has said the cancellation is not recorded on the Claims and Underwriting Exchange (CUE), so he will not need to declare the cancellation on future insurance applications.

Mr F says he only wanted a short extension of time to make the payment, and the cancellation made his financial situation more difficult. But taking into account the history of repeated late payments, the lack of engagement by Mr F, and the other matters set out above I think, in the circumstances, it was fair to cancel the policy.

He’s also unhappy that late fee payments were charged. Sainsbury’s explained these were charged for failed payments in accordance with the policy terms and conditions. As I’ve explained, Sainsbury’s contacted Mr F each month to explain the situation to him and, bearing in mind the lack of engagement from Mr F, I don’t think the charges were unreasonable.

### **My final decision**

My decision is that I don’t uphold the complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr F to accept or reject my decision before 20 December 2024.

Peter Whiteley  
**Ombudsman**