

The complaint

Mrs E has complained that Sainsbury's Bank Plc cancelled her car insurance policy in error and left her uninsured.

What happened

Mrs E decided to renew her car insurance policy which was arranged by Sainsbury's Bank and pay by direct debit. There was a problem with the direct debit and Sainsbury's Bank wrote to her to let her know about this. Mrs E telephoned Sainsbury's Bank and was told her direct debit was fine. She then received a notice saying her policy would be cancelled. The policy was then cancelled. And Mrs E received a notice via email and in an online portal saying that this had happened. Mrs E only realised that the policy had been cancelled 11 days after it had happened.

Mrs E was concerned about this and called Sainsbury's Bank to complain. It apologised for the fact she'd been told her direct debit was fine when it wasn't. It also offered Mrs E £150 in compensation for the distress and inconvenience she had experienced. Plus, Sainsbury's Bank said it would look into price matching the cost of the new policy she had taken out if she provided details. But it said she had to pay an outstanding amount of £61.19 to cover the set-up fee and the cover provided by the insurer prior to the policy being cancelled.

Mrs E wasn't happy with Sainsbury's Bank's response and asked us to consider her complaint. One of our investigators did this. He said it should be upheld and that Sainsbury's Bank should pay Mrs E a further £100 to cover the additional cost to her of the new policy she took out and the stress of having to arrange it. He also said Sainsbury's Bank should mark its records to show the policy Mrs E had through it as cancelled by her.

Sainsbury's Bank didn't agree with the investigator's view and asked for an ombudsman's decision. It said it felt what it had offered to resolve Mrs E's complaint was fair. It pointed out it offered to cover the additional cost of a new policy subject to evidence and it felt this and the £150 it offered for distress and inconvenience was sufficient. It also said Mrs E had only been charged for her 'unpaid time on cover'. And it didn't think it needed to mark its records to show the policy was cancelled by Mrs E, as it only recorded the cancellation on its internal system; and it has told Mrs E she doesn't need to declare this when taking out policies moving forward.

I issued a provisional decision on 17 February 2025 in which I set out what I'd provisionally decided and why as follows:

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 provisionally decided to uphold it.

I can see Sainsbury's Bank agrees that an error by one of its agents led to Mrs E's policy being cancelled and that this wouldn't have happened if they hadn't made this error. And while it does seem Mrs E could have found out about this earlier if she'd noticed the email

about it and downloaded the document in her online account, the unnecessary cancellation clearly did cause her distress and inconvenience. And I'm satisfied the £150 in compensation offered by Sainsbury's Bank for this is fair.

I also think Sainsbury's Bank's offer to price match her new policy, subject to Mrs E providing evidence of it is reasonable. And I presume if Mrs E provides the evidence Sainsbury's Bank will still do this.

However, I do not consider the £150 in compensation is enough to cover the additional distress and inconvenience Mrs E experienced in having to arrange a new policy. This would have been frustrating and time consuming and I think she should receive a further £100 in compensation for this.

I have also noted that Sainsbury's Bank hasn't only charged Mrs E for her 'unpaid time on cover' as per its last communication to us. It's actually charged her for her time on cover, plus a £40 fee for setting up the policy. And even the charge it has made for her time on cover does not match the £16.24 which the insurer has told us it charged. Bearing in mind the policy was cancelled in error, I do not consider it is fair for Mrs E to have to pay the set-up fee of £40. But I do think she should pay the £16.24 for the time she was on cover. And this can be deducted from the compensation due to Mrs E for distress and inconvenience if she would like this to happen.

I agree with Sainsbury's Bank that there is no need for it to change its internal record of the cancellation of Mrs E's policy, as it has made it clear it is not recorded on any external databases and that she doesn't need to declare it moving forward.

This means I consider the fair and reasonable outcome to Mrs E's complaint is for Sainsbury's Bank to pay Mrs E a total of £250 in compensation for distress and inconvenience. And to amend the amount outstanding for her to pay for her policy to £16.24.

My provisional decision

I've provisionally decided to uphold Mrs E's complaint about Sainsbury' Bank Plc and do what I've set out above.

I gave both the parties until 3 March 2025 to provide further comments and evidence in response to my provisional decision.

Mrs E has responded to say she accepts my provisional decision.

Sainsbury's has responded and asked me to reconsider in light of its comments. It's said that after Mrs E spoke to its agent on 5 March 2024 it sent a letter by first class post saying her policy would be cancelled on 15 March 2024. It said this means, even if Mrs E hadn't received the email, which presumably said a copy of this letter had been uploaded to her portal she would still have received the notice of cancellation by first class post. And it has no record of this letter being returned as undelivered. Sainsbury's has added that, while it accepts Mrs E was given incorrect information by its agent, it doesn't agree that she wasn't provided with sufficient notice of the cancellation of her policy. In view of this, it does not agree with my view that the set-up fee Mrs E was charged should be waived; especially as it is clearly set out in the terms and conditions she was provided with.

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, it remains my view that it should be upheld and the way to put things right is as I set out in my provisional decision.

I've noted Sainsbury's point about the cancellation notice being sent by first class post. But it doesn't alter my view that it was an error by its agent that was the main reason Mrs E's policy was cancelled without her realising. It does seem likely Mrs E received the letter dated 5 March 2025 telling her that her policy would be cancelled on 15 March 2025. But I can understand why Mrs E didn't take any action when she received this. After all, she had just spoken to an agent at Sainsbury's who had re-assured her that her direct debit was in order. Therefore, she had no reason to think that the cancellation would still go ahead. Especially, as the letter was dated the same day as she had spoken to the agent.

In the circumstances, I do not think it was fair for Sainsbury's to charge Mrs E a set up fee for a policy that it did set up but ended up as no use to her because of an error by one of its agents.

Sainsbury's hasn't commented on my statement that the insurer who provided Mrs E's policy told us it only charged £16.64 for the time she was actually on cover. So, I have no reason to think this is incorrect.

I'm also satisfied that the level of distress and inconvenience Mrs E experienced because of the incorrect information provided by Sainsbury's agent warrants a compensation payment of £250 for the reasons set out in my provisional decision.

Putting things right

For the reasons set out above and in my provisional decision, I've decided to uphold Mrs E's complaint about Sainsbury's Bank Plc and require it to do the following:

- Amend the amount outstanding for Mrs E to pay for her policy to £16.24.
- Pay Mrs E £250 in compensation for distress and inconvenience.

My final decision

I uphold Mrs E's complaint about Sainsbury's Bank Plc and require it to do what I've set out above in the 'Putting things right' section.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs E to accept or reject my decision before 1 April 2025.

Robert Short
Ombudsman