

The complaint

Mrs W complains that the cost of the pet insurance policy she was sold by Bought By Many Ltd has increased significantly and that it wasn't made clear to her that this could happen.

Background

Mrs W took out a lifetime pet insurance policy in 2017 online with Bought By Many.

In her first renewal she was shocked to see the premium had risen by 35% and she made a complaint. She says the price increase is unfair and unreasonable. Mrs W is unhappy that it wasn't explained in Bought By Many's marketing and policy material that policyholders could expect to see significant price increases.

Mrs W's premium increased again in 2019 by a further 40%. She says she feels locked into the policy as due to her dog's age she can't find like for like cover elsewhere. And as she hadn't budgeted for the increases the policy is likely to become unaffordable for her.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Firstly I should explain that businesses are entitled to decide how much to charge for the insurance cover it provides, and I don't have the power to tell a business what its insurance should cost. I would be, in effect, determining or telling a business how it should operate – and that's not my role. So I can't say that the cost of Mrs W's policy is too high, that she should have been charged less for the policy or that she should be charged less in the future.

Insurance premiums are calculated so that they can reasonably be expected to cover the likely claims arising from an insurance contract, with a safety margin to ensure the long-term viability of the insurer. The calculation is generally based on the probability of the insured event occurring, combined with the likely financial loss resulting from the claim. All insurers take a number of different factors into account when doing this calculation and that's not something we will interfere with.

Insurers will typically, each year, revisit and reassess the risk, based on the volume and cost of claims its customers have made. So if the cost of paying claims increases significantly, an insurer will revisit the way it calculates its premiums to make sure it can continue to cover claims in the future – there's nothing wrong with it doing this.

An insurer is unlikely continue to provide any cover if it knows it's going to make a loss. It could find itself in a position where there's no money to pay the claims. So it's fair for an insurer to take steps to avoid this happening. Unfortunately for Mrs W, this meant she saw her premium increase more than she expected.

While Mrs W's premium has increased, I haven't seen any evidence to suggest Bought By Many has treated her differently to how it would have treated any other policyholder in the same position. So I can't say Bought By Many has singled her out and treated her unfairly compared to its other customers or that Bought By Many needs to offer her cover for a lower premium going forwards.

I know this is disappointing for Mrs W. I understand this situation has caused her frustration and upset. But I don't think Bought By Many has done anything wrong by increasing the cost of the policy as it did.

I've also thought carefully about the information Bought By Many gave Mrs W when she brought the policy.

In 2017 when Mrs W took out her lifetime pet insurance policy, the relevant rules about what a business should do when selling insurance could be found in ICOBS Insurance: Conduct of Business sourcebook. These set out that, when selling insurance, businesses must take reasonable steps to give customers *"appropriate information about a policy in good time and in a comprehensible form so that the customer can make an informed decision about the arrangements proposed"*. This includes drawing the consumer's attention to and highlighting the main provisions of the policy and the significant limitations and exclusions.

Lifetime policies are usually more expensive than standard policies as they provide a greater level of cover. But there are also different considerations surrounding the long-term cost and cover for customers with these policies as the cost doesn't stay the same for the life of the policy and will generally increase each year at renewal, as the pet gets older and the cost of veterinary treatment goes up. The cost can also increase due to changes in insurance premium tax or if an insurer re-evaluates the risk. There's no limit to how high the cost could be.

I recognise it wouldn't be possible for Bought By Many to tell Mrs W exactly what was going to happen with the price of her policy. But I think she needed clearer information about the potential long-term cost implications so she could understand that she might end up in the position she is now in – with a policy that is becoming unaffordable for her. The policy was being marketed as 'lifetime' insurance, so she understandably expected to keep it for the rest of her dog's life. She needed clearer information to properly understand what it was she was buying – so she could make an informed choice. But, having looked at the information Bought By Many gave Mrs W about the policy at the sale, I don't think it gave her clear enough information about the potential costs.

Bought By Many has sent us a screenshot of some of the information Mrs W was given during the sale and I can see it says that 'premiums may increase'. But I don't think this makes clear the long-term risk that the cost of the policy could rise to an amount much more than the initial cost was made clear enough. I've also seen a copy of the terms and conditions of the policy and I can't see there is any mention of premium increases in the document.

Where I find something has gone wrong, I'll look at what's likely to have happened if it hadn't, to see if a consumer has lost out.

Mrs W chose to take out pet insurance, so she wanted some type of cover for her dog. And she's told us that she wanted to take out a lifetime policy, as she wanted the greater level of cover it provided. Mrs W says that at the time she couldn't find any other insurer - she felt was reputable - to take lifetime cover with. I can also see that her Bought By Many policy has a 'MoneyBack' benefit (for every year you don't claim you receive 20% of your annual premium back). This is an uncommon benefit for these types of policy. So I think it's likely

she would still have gone ahead with this policy, even if she'd known the premium could increase significantly in the future – and she accepts this is a possibility.

Even if Mrs W had taken a different policy, it is impossible to know what Mrs W could have ended up with – it might have been cheaper but it might also have ended up being more expensive. I do think it's likely she would have been paying for some pet insurance. And it's unlikely better information about the possible future costs of the policy would have resulted in Mrs W paying a significantly lower amount, as providers that offer this type of insurance tend to operate in a similar way.

But I do think better information about the policy would've meant that Mrs W wasn't so shocked or upset when the cost increased as it did – instead this would have been something she would have known could happen.

Mrs W says she's now unable to change insurer due to her pet's age. I do recognise that it might be more difficult for Mrs W to find a policy to cover her older dog. But a number of insurers do now offer insurance for older pets and as Mrs W has told us her pet doesn't have any existing conditions, I think it would be possible for her to find cover elsewhere. I appreciate that Mrs W says the companies she has looked at that offer lifetime policies are not ones that she is familiar with. But it's Mrs W's decision whether to continue with Bought By Many or not.

However, I appreciate that Mrs W is now in a position she didn't expect to find herself in when she took out a lifetime policy. Better information about the policy would've meant that she could have been more prepared for the possibility that she might not be able to afford to continue with the policy and have to make a difficult decision about what to do.

I think this lack of clear information has caused Mrs W some trouble and upset. So I think Bought By Many should pay her £150 as compensation for this.

My final decision

I uphold this complaint.

Bought By Many should pay Mrs W £150 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 21 October 2020.

Hannah Eykel
Ombudsman