

The complaint

Mr and Mrs P complain that Aviva Insurance Limited failed to tell them about a cheaper equivalent to their home insurance policy.

Both Mr and Mrs P are named policyholders on their Aviva policy, so any claim or complaint is brought by them both. But for simplicity, and because most of the information about the complaint has been provided by Mr P, I'll refer mainly to Mr P from here onward.

What happened

Mr and Mrs P first took out a Home Plus policy with Aviva in April 2003. Mr P says a subsidence problem – for which he made a claim in or around 2003 – made it difficult to find alternative insurance with the same level of cover. He renewed his Aviva policy each year.

Mr P said he queried the cost of his policy in both 2014 and 2016. He says Aviva told him in 2014 that he wasn't eligible for a multi-cover discount due to his previous subsidence claim, then in March 2016 suggested he increase his voluntary excess to reduce his premium. Mr P increased the excess on his policy for his 2016 renewal.

In 2019, Aviva withdrew its Home Plus policy. It moved Mr P to a new home insurance policy, Home Direct, which cost almost £1,000 less than his previous policy. Mr P is unhappy Aviva didn't tell him sooner about this alternative product. He says the new product offered equivalent protection at a much lower price and believes he's been charged "*vastly excessive premiums*" as a result. He'd like Aviva to refund the difference between the two policies, plus interest.

Aviva wouldn't do this. It told Mr P that the Aviva Direct policy was "*a totally different product*". It said there were differences in cover – specifically, accidental damage and personal belongings cover – and underwriting systems, both of which affected the premium.

Mr P doesn't accept that. He says: "*I feel that since I telephoned Aviva about the premium in 2014 and 2016 they should at the very least have reviewed things at that time, if not before, and moved us onto a fairer premium.*" He brought his complaint to this service.

Our investigator didn't recommend that Mr P's complaint should be upheld. He didn't think the two products were directly comparable – in his opinion, they were different policies with different pricing structures – and didn't think Aviva had mispriced his Home Plus policy. So he didn't think Aviva needed to refund any of Mr P's premiums.

Mr P didn't accept our investigator's recommendation, so the case was passed to me.

My provisional decision

I issued a provisional decision on this complaint in August 2021. I said:

"Mr P has made it clear that he isn't disputing the pricing of his original policy. His complaint is there was an alternative, cheaper product available: "Aviva failed to make me aware that I could have been paying nearly £1,000 less by switching to its Home Direct policy."

Mr P moved onto the Home Direct policy when the Home Plus product was discontinued in 2019. Aviva told us the new Home Direct product was first introduced in April 2016. I see from Aviva's records that Mr P called to discuss his renewal on 30 March 2016, so I think the Home Direct product was first available to Mr P at his renewal in 2016. This means the renewals I need to consider are those in 2016, 2017, and 2018.

We asked Aviva why Mr P wasn't switched onto Home Direct in 2016 and whether it told Mr P about the new product. It told us:

"In this case Aviva had taken the decision to remove the Home Plus policy from our range and as such ALL customers with that product were invited to obtain a quotation for either an alternative Aviva product or from an alternative provider in the market place. We couldn't insist on them remaining with Aviva, it has to be their choice."

I think that's fair enough. But it also said it didn't tell Mr P about the new product when he called to discuss his renewal in March 2016, or when it was launched the following month.

Insurers must be clear and transparent and treat their customers fairly. It isn't their responsibility to automatically move a customer onto a cheaper product, but they do have to be clear, fair, and not misleading in discussions with customers. I accept that Mr P bought his insurance on a non-advised basis. But in this case I think it could reasonably be argued that not telling Mr P about the new Home Direct product when he called to discuss his renewal in March 2016 was misleading.

Aviva also says the Home Direct policy was "a totally different product, with different rating factors, and as such cannot be considered as a like for like comparison". It specifically referred to differences in accidental damage and personal belongings cover, which it said were standard under the old policy.

I'm not sure that's right. Unless I'm reading Mr P's 2018 policy booklet and schedule wrong, those were optional under Home Plus. Section K of the 'Buildings' section and section Q of the 'Contents' section – which refer to accidental damage – and the 'Personal Belongings' section of the Home Plus policy booklet all say: "This extension to cover applies only if it is shown on your schedule." Mr P's policy schedule includes a separate premium for personal belongings and explicitly says Mr P has chosen accidental damage for both buildings and contents ("This cover has been selected").

I've looked at both product booklets and tend to agree with Mr P, who says "the cover is broadly comparable". As noted above, accidental damage and personal belongings cover is optional on both policies. The new policy includes blanket cover for buildings and contents, so I don't think Mr P's cover is any lower under Home Direct. I also note that this was the alternative product offered to Mr P when Home Plus was discontinued, which itself suggests the new product was comparable. So I don't think the cover Mr P now has through the Home Direct policy is significantly different to his previous policy.

Mr P is clearly an engaged customer. Aviva's records show he discussed a cheaper quote from another insurer with Aviva back in 2007, and he increased his excess to reduce his premium in 2016. It's clear to me that Mr P looked to shop around but – rightly or wrongly – felt prevented from doing so because of his previous subsidence claim.

I think it's reasonable to conclude that if Mr P had known about the new Home Direct policy in 2016, he'd have switched to it. I accept that Aviva wasn't required to switch him automatically, but I think it should have told him about the new product when he called to discuss how to reduce his premium in March 2016.

For these reasons, I think Aviva acted unfairly. At this stage, I think Aviva should refund the difference between his Home Plus premiums and what his premiums would have been under the new Home Direct policy for 2016, 2017, and 2018. Aviva should add interest to these refunds at 8% simple per year."

Responses to my provisional decision

Mr and Mrs P accepted my provisional decision and had nothing to add.

Aviva disagreed with me. It said, in summary:

- The two products weren't directly comparable. Specifically:
 - Accidental damage was included as standard for both buildings and contents under Mr P's old policy; it wasn't standard in his new policy.
 - Mr P added personal belongings to his old policy and was charged an extra premium for this; he didn't add this to his new policy.
- It introduced the new product in June 2017, not April 2016.
- Aviva acknowledged that it had previously told us the new product was introduced in April 2017.
- However, it provided evidence from its underwriters confirming that the new product was "*launched in a limited manner in June [2017]*" before being fully rolled out later that year.
- This meant the earliest Mr P could have switched to the new product would have been April 2018.

Aviva made a new offer following my initial findings. It said it was prepared to refund the difference between what Mr P paid for his home insurance in April 2018 (£1,359.71) and what the new product would have cost him in April 2018.

Aviva told us its pricing team wasn't able to recalculate the April 2018 premium with any certainty, however the premium "*was unlikely to have been less than what the customer paid at inception in 2019. Therefore our offer is based on what the consumer paid in 2019, £365.63.*" This means Aviva's offer is £994.08, plus simple interest at 8% per year.

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.

I don't agree with Aviva's argument about the differences between the two products for the same reasons I set out in my provisional decision.

Mr P's 2018 policy booklet and schedule explicitly say that accidental damage and personal belongings were optional under Home Plus. Section K of the 'Buildings' section and section Q of the 'Contents' section – which refer to accidental damage – and the 'Personal Belongings' section of the Home Plus policy booklet all say: "***This extension to cover applies only if it is shown on your schedule***" [my emphasis]. Mr P's policy schedule includes a separate premium for personal belongings and explicitly says Mr P has chosen accidental damage for both buildings and contents. So I still think the two policies were broadly comparable.

However, my provisional decision was based on my understanding that Aviva introduced the new 'Home Direct' home insurance product in April 2016. Given Aviva's new evidence, I'm satisfied that this was wrong, and Aviva's new home insurance product wasn't introduced

until June 2017.

This means my key finding – that Aviva was aware it was about to introduce a new home insurance product when Mr P called to discuss his policy renewal in March 2016 – was wrong.

So I agree with Aviva that it couldn't have discussed the new product with Mr P in March 2016. I also agree that Mr P wouldn't have been able to switch to the new product until April 2018 at the earliest. It follows that it wouldn't be fair for me to ask Aviva to refund the difference in Mr P's premiums for either 2016 or 2017.

Aviva has offered to refund the difference in premium for 2018. Its calculation shows this would be £994.08, plus interest. In the circumstances, I think this offer is fair.

We've explained the situation to Mr P. He understands why I've changed my proposed redress and why I think Aviva's offer is fair. He told us that he accepts Aviva's offer.

My final decision

My final decision is that I uphold the complaint and require Aviva Insurance Limited to:

- Refund Mr and Mrs P £994.08 to reflect the difference between what they paid for their home insurance in April 2018 and what they would likely have paid under the new Aviva home insurance product.
- Add interest to this amount at 8% simple per year from 1 April 2018 to the date of settlement.

*If Aviva Insurance Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr and Mrs P how much it's taken off. It should also give Mr and Mrs P a certificate showing this if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P and Mrs P to accept or reject my decision before 10 March 2022.

Simon Begley
Ombudsman