

The complaint

Mr S has complained about the premium he is now being charged by Red Sands Insurance Company (Europe) Limited (Red Sands) to continue to insure his cat under his lifetime pet insurance policy.

What happened

Mr S has had an insurance policy with Red Sands for his cat since 2011. This is a lifetime policy which covers his cat's treatment for conditions it develops for the rest of its life as long as the policy continues. His cat has since developed cardiomyopathy, and Mr S has made some claims for the treatment of this.

Mr S has complained that when his policy renewed in November 2020, the premium had increased by 18%. In November 2019 it had been £9.62 a month (including insurance premium tax) and in November 2020 it had increased to £11.30 a month (including IPT). He's also unhappy that from November 2021, because his cat will by then have turned 10 years old, there will be a "co-payment" of 20% that he will have to pay on any future claim. Mr S considers that the level of increase in his premium is unjustified and that he's being "priced out" of the cover he expected would cover his cat for its lifetime.

Red Sands referred Mr S to the Terms and Conditions of his policy which state:

"When inviting renewal of this policy we may, at our sole discretion (and for a valid reason as we deem appropriate, taking into consideration, but not limited to your pet's age, medical and/or claims history) change the cover, benefits, premium, terms and/or conditions."

It considered that Mr S had been provided with sufficient information about the policy Terms and Conditions.

Red Sands has also explained that there are a number of factors that can affect the price of premiums, such as the age, sex, and breed of the pet - older pets are more likely to require vet treatment and have higher claims experience, and therefore have increased risk - geographical factors, the risk of recurring conditions and claims, and inflation in vets fees both in terms of the number of claims and the cost of individual claims. It explained to Mr S that its pet insurance policies are reviewed annually by its underwriters and its pricing team when all these factors are considered.

Mr S has made two claims under the policy in 2014, one in 2015 and one in 2018. These totalled £641.16.

Mr S believes that the policy had been mis-sold to him as a lifetime policy should in his view provide cover for life without substantial increases. In its final response to Mr S, Red Sands said that based on the number of conditions that his pet had, the amount and dates of claims made as well as the factors mentioned above, the renewal premium was correct and it couldn't uphold his complaint.

Further attempts by Mr S to discuss the premium increase with Red Sands and his complaint that he was being “priced out” of the policy didn’t result in a satisfactory outcome for him so he brought his complaint to this service.

Our investigator’s view was that the increase in premium was the same as any of Red Sand’s customers in the same position. However she also considered the information Mr S was provided with when the policy was taken out on-line in November 2011. She explained that when a policy is sold, the business should provide enough information for the customer to make an informed decision, highlighting anything that is of particular importance. She explained that Red Sands should’ve highlighted key information about the significant features of the lifetime policy Mr S was purchasing which would include explaining that the yearly cost of these policies can go up significantly at renewal, that there’s no limit to how much the premium could increase to, and that a co-payment will be introduced when the pet reaches a certain age.

In our investigator’s view, Red Sands hadn’t provided Mr S with sufficient information and that this had caused him upset for which she considered compensation of £250 from Red Sands was appropriate.

Mr S doesn’t accept our investigator’s view which he says doesn’t take into account that his policy is for lifetime cover and that he can’t shop around for cover elsewhere without paying more because of his cat’s pre-existing condition. He says he purchased lifetime cover for the peace of mind of knowing that his pet was covered for its lifetime, and that Red Sands’ price increases are “changing the odds” set when the policy was taken out to his detriment.

Mr S has asked that an ombudsman review his complaint

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.

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Firstly, I should explain that insurers are entitled to decide how much to charge for the insurance cover they provide for the risks that they agree to cover. It’s not within the power of this service to tell an insurer that they are charging too much or to require them to charge less. The premiums they charge will be based on their assessment of the risks that they have agreed to cover, and these are reviewed regularly. If an insurer considers that a risk has increased, then the premium they charge will likely increase. That is normal practice and this service can’t say the insurer was wrong, unless it has treated a customer inconsistently or unfairly. In these circumstances, we can require the insurer to put things right.

There are a number of circumstances where we might consider that a customer has been treated unfairly.

We can consider it unfair if a customer’s premiums have increased when those of other customers with similar risk profiles have not. This is a difficult comparison to make as it’s unlikely that any two customers will have identical risk profiles. Red Sands has provided an example from a comparison website of how a one year difference in the age of a pet can result in an increase of 16.7% in premium. I’ve also seen a table used by Red Sands that’s

used to adjust premiums dependent on the number of claims made and the amount claimed. I'm afraid I can't share this with Mr S as it is confidential to Red Sands, but it evidences that the same criteria are applied to each customer. I therefore can't find that Mr S has been treated differently to any other customer, and so hasn't been treated unfairly in this manner.

We can also consider it unfair if a customer wasn't provided with sufficient information to enable them to be fully informed as to what they were agreeing to when they took out the policy.

In Mr S's case, I've reviewed the policy schedule and Terms and Conditions Mr S was provided with when he took out his policy in November 2011. These contain the term I've quoted above which gives Red Sands the right to increase the premium payable. The schedule only outlines what the premium will be for the upcoming policy year.

I agree with our investigator that Red Sands should've highlighted key information about the lifetime policy Mr S was purchasing. It would've helped Mr S to make an informed choice about whether or not to take out the policy, and to manage his expectations, if the following had been highlighted:

- that the premium will almost certainly increase year on year as his cat gets older
- claims made are likely to impact on future premium increases
- there's no limit on the amount by which the premium might increase

I can't say for certain whether Mr S would've continued with this policy if the above information had been highlighted to him before he took out the policy or during the 14 day "cooling off" period. But as such a policy would ensure maximum protection in the event of his cat developing a condition that required regular treatment, he might well have done so. The disadvantage is the likely increases in premium year on year as the cat gets older and the risk of the need for future treatment increases.

There is always also the possibility that the policy terms will change over time. Red Sands has the right to do this under the policy, and I've quoted this term above. An example is the requirement for a "co-payment" when a pet reaches a specific age. This wasn't a policy term in 2011 when Mr S took out his policy but was introduced a few years later. This applies to all policy holders, so Mr S isn't being treated differently to any other customer.

I've looked at the premiums Mr S paid as set out in Red Sands' final response letter. Between 2012 and 2017, when Mr S had the "Superior" level of cover, his monthly premiums increased from £5.40 to £6.96 (a total increase of approximately 29% over five years). Between 2017 and 2021, when he had "Super" cover, they increased from £5.96 to £10.09 a month (a total increase of approximately 69% over four years). (I've excluded the ICT element from these figures as this isn't a cost within Red Sands' control). Whilst the percentage increases might seem high, these are not year on year percentages, and they are not as high as other premium increases this service might see with other lifetime policies.

My conclusion is that Red Sands has not acted unfairly towards Mr S in the increases in premiums that it has made. The policy gives Red Sands the right to increase premiums, Mr S has made claims under the policy, and his cat now has a condition that will require ongoing treatment. I've seen no evidence that Red Sands has treated Mr S any differently to any other customer.

But I do consider that Mr S has suffered upset in finding himself in a position where the

cover for his cat is becoming difficult for him to afford. The likelihood of premium increases was not in my view made sufficiently clear to him when he took out his policy, leading him to believe that, to borrow his own words, the “odds” he signed up to were being unfairly shifted against him. I think better information about the policy would’ve meant that Mr S wasn’t so shocked or upset when the premiums increased as they did – instead this would have been something he would’ve anticipated.

I agree with our investigator that it would be fair for Red Sands to compensate Mr S for the upset he has felt from the lack of clear communication from it about the long-term implications of taking out a lifetime policy. I agree with her that £250 would be appropriate taking into account the relatively small increase in premiums in monetary terms.

My final decision

My final decision is that for the reasons I’ve given above, I’m upholding Mr S’s complaint.

I require by Red Sands Insurance Company (Europe) Limited to pay Mr S £250 compensation.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr S to accept or reject my decision before 7 April 2022.

Nigel Bremner
Ombudsman