

The complaint

Mr L has complained about the scale of premium increases for the pet insurance policy Jigsaw Insurance Services Plc sold to him.

I've referred to Jigsaw throughout this decision, even though when providing its service to Mr L it was using a trading name.

What happened

Jigsaw sold Mr L a "lifetime" pet policy for his dog in 2019. At that time the annual premium was around £482. When the policy renewed in 2020 the premium had increased to around £624. In that policy year Mr L made a claim for some vets' treatment. When his policy renewed again in 2021 the premium was almost £989. Mr L didn't think that was fair and complained.

Jigsaw replied explaining the sort of factors that could affect a premium, which included things like the dog's breed and claims history. Mr L wasn't satisfied with that response and brought his complaint to us.

After speaking with Mr L we considered his complaint focusing on the information Jigsaw had given to him when he took the policy out. Our investigator didn't think Jigsaw had dealt with that fairly. So he said it should pay Mr L £250 compensation.

Jigsaw didn't agree with our investigator's assessment of the complaint; so it's been passed to me to decide. In the meantime Mr L told us that he's considering cancelling the policy as he doesn't find it affordable.

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 I'm going to uphold it.

Jigsaw is an insurance broker and intermediary. That means it sells policies and may help with their admin but it doesn't actually provide the cover itself. That is provided by the policy underwriter (the insurer). In this case the policy insurer changed at the most recent renewal. Jigsaw has continued to administer the policy.

As Jigsaw isn't the insurer it isn't responsible for calculating the premium. That's the responsibility of the insurer. And Jigsaw said we should have set the complaint up against the insurer and not it. But, while we could have also set up a second and separate complaint against the insurer, I don't think that's necessary in this instance.

That's because there is often more than one company involved in selling, administering and underwriting an insurance policy. And it's not always immediately apparent to a consumer

like Mr L to know which of those companies his complaint should be against. And after speaking with Mr L we set the complaint up against Jigsaw rather than the insurer.

The reason for that was because, when Jigsaw sold Mr L the policy, it had a responsibility to give him enough information to enable him to make an informed decision about it. The information Jigsaw provided should have been clear, fair and not misleading and enabled him to make an informed decision about whether the policy was right for him. And, having spoken with Mr L there were concerns that Jigsaw didn't do that in this case.

In contrast, as long as they don't single consumers out for unfair treatment, we think it's reasonable for insurers who underwrite such policies to charge what they feel is necessary in order to cover the risks the policy offers. We haven't examined the insurer's role in the premium rises in detail, but it's clear that the steep rise in premiums clearly came as a shock to Mr L. And as it was Jigsaw and not the insurer that has responsibility for explaining how the policy may operate at the outset, including how premiums might increase in the future, I'm satisfied it's appropriate to set this complaint up against Jigsaw.

Mr L bought his policy over the phone. I've listened to the call recording. During that call Jigsaw did explain that the premium was likely to rise year-on-year. It also told Mr L that premiums could be affected by claims. But I note that – twice during the call – Mr L specifically said he was worried about the premiums going “*sky-high*” in the future.

Jigsaw did tell Mr L it couldn't make any promises about how much the premiums would increase by. But, it also said the insurer operated a “*cap and collar*” system. It said that system meant the premium would likely increase between 10% and 30% depending on various factors. It said the higher end of that range would usually be “*later on*” to deal with risks like cancer and arthritis. But it added that if there was an influx of claims from a specific breed that could also have an impact causing premiums to rise “*a little bit earlier*”. So I think Jigsaw gave Mr L the impression that, while his premium would increase it was unlikely to do so steeply or in a manner that might make the premiums unaffordable in only a matter of years.

The first time the policy renewed Mr L's premium increased by almost 30%, even though he hadn't, at that point, made a claim. When he rang to discuss renewing the policy Jigsaw told him that the majority of the rise was because of the increase in the number of claims for Mr L's breed of dog. That was something that Jigsaw had warned Mr L might happen when he took out the policy. Despite that rise Mr L went ahead and renewed.

At the next renewal, Mr L's premium increased by around 58% from the year before. That was equivalent to a cumulative increase – over two years – of around 105%. So Mr L's premium had increased in the second year by significantly more than the 30% Jigsaw had indicated that they might increase by when he took the policy out. And the premium had more than doubled in just two years.

I understand the insurer of the policy had changed at the second renewal. And it may be that the new insurer didn't operate the same “*cap and collar*” approach the previous insurer did. Allowing the premiums to increase by almost double the 30% cap Jigsaw had told Mr L about when he took the policy out. But I think Jigsaw had given Mr L an expectation that his premiums wouldn't go “*sky-high*”. However, I can see that, within two years., Mr L might well have thought that's what had happened.

I note the policy documents say that premiums may increase in the future. But those documents don't give any kind of indication of the likely or possible scale of the rises. So I

don't think Jigsaw did enough to give Mr L a clear understanding of what he could expect to happen in relation to the premiums he might have to pay in the future.

I should say Mr L didn't have to buy a lifetime policy. He could have bought a cheaper yearly policy. But those policies don't usually cover any pre-existing conditions. So, once a pet's suffered with a medical issue, the yearly policies won't cover that problem in later years. As a result, if a pet needs ongoing treatment over a number of years, the policyholder will have to bear the full cost of that treatment even if they have a policy in place.

Mr L was looking for a lifetime policy. And he was clearly happy enough with the initial premium Jigsaw quoted, as he bought the policy. And as premium rises of this type are common across the market, and Jigsaw was offering a competitive premium, I think it's likely that Mr L would have still bought the policy Jigsaw sold to him, as that's the type of policy he was looking for. So I don't think he'd have done much different if Jigsaw had provided more information at the point of sale.

But I can understand that, when his premium increased fairly dramatically in 2021, it came as something of a shock to him. And Mr L's told us that, following the premium increase in 2021 while he did renew the policy, the premium has become unaffordable and he intends to cancel it.

If Mr L had received more information about the possibility of such significant increases, above 30%, when he was initially buying the policy, it's likely he wouldn't have been as surprised when this happened. In those circumstances he's unlikely to have been upset by this to the extent that he was. He would also have been aware that he might one day be in a position where he couldn't afford to carry on with the policy and would have to make a difficult decision about what to do. So to address his distress and inconvenience arising from that I think it's fair that Jigsaw pays him compensation of £250.

For completeness I'll add that Jigsaw said that the policy isn't a "lifetime" policy but is instead "*annually renewable cover*". Technically, that's correct. But I note that when Mr L rang Jigsaw for a quote he told it he was looking for "*lifetime cover*". Jigsaw replied "*yep absolutely*". It didn't tell him it was selling him an "*annually renewable cover*" policy. Also, as long as it's renewed each year, policies of this type are intended to continue for the life of the pet. And are known across the industry as lifetime policies. So I don't think our investigator did anything wrong in referring to the policy as a lifetime one.

Further, Jigsaw said that our investigator's assessment of the complaint wasn't in-line with two similar cases we'd looked at previously. I haven't looked into those cases in any detail. But I note we looked at those complaints as being about the policy underwriters' actions and not Jigsaw's. Also, neither of those cases progressed to consideration by an ombudsman. So they didn't complete our two-stage process and were resolved informally. And even if they had been decided by an ombudsman, our decisions don't set precedent. That means I'm not bound to follow earlier decisions on other cases. Instead I look at the individual circumstances of each complaint. And in this instance I'm satisfied that Jigsaw didn't deal with Mr L fairly and reasonably and that £250 compensation is appropriate to put that right.

My final decision

For the reasons set out above I uphold this complaint. I require Jigsaw Insurance Services Plc to pay Mr L £250 compensation for his distress and inconvenience.

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

Joe Scott
Ombudsman