

The complaint

Mr H's complaint is about the price of his pet insurance policy sold to him by Only Pets Cover Limited.

What happened

Mr H took out this policy for his dog in March 2018 for an annual premium of £353.46. At renewal in 2019, the price went up to £747.60 for the year, in 2020 it was £835, and in 2021, it went up to £2,948. Mr H says he is stuck paying for this policy, as Only Pets has refused to negotiate on price. He says it will not however, provide its pricing criteria which is unfair; and due to his dog's existing medical conditions it is difficult for him to find another provider. Mr H would like the premiums reviewed and reduced to a fair level in line with previous years, as they cannot be justified and have been set to unfairly profit from him or put him off renewing the policy.

Only Pets says the premium is set by the insurer and has been calculated correctly according to its the insurer's criteria. Only Pets points out there were 18 claims on the policy, which has obviously had an effect on the premium, as that increases the chances of future claims; and said it is the cheapest it can provide.

One of our Investigators looked into the matter. The Investigator explained that Only Pets did not set the premium, as they are not the insurer but it did sell the policy to Mr H and so was responsible for making sure he had sufficiently clear information about the policy, including about potential significant increases in the cost of the policy. Having looked at the information provided to Mr H in March 2018 in particular, the Investigator didn't think he had been given sufficient warning about this. The Investigator said however that Mr H has had significant benefit from the policy with 18 claims being recorded up until May 2021, since the policy was taken out. He therefore recommended that Only Pets pay him £350 compensation for the fact he was not expecting such significant increases in premium.

Only Pets does not accept that it did anything wrong but reluctantly agreed to pay the compensation recommended by the Investigator. It says Mr H was provided with ample information relating to future premium increases. He was also given 14 days cooling off period for the purpose of giving him time to digest the information contained in the policy documentation and to raise any concerns or queries. Only Pets also seeks confirmation that any award is a one-off as Mr H should now be well-aware of the potential premium increases.

Mr H is unhappy at being asked to confirm he will not complain about future premium increases and says this is unacceptable. Mr H also says that if it is relevant that he has received benefit from the policy, then it must also be considered that he is being priced out of the market and will soon no longer be able to afford to insure his dog; he is going to face considerable financial issues in relation to his dog's ongoing care and the £350 compensation does not go anywhere near where it needs to be in terms of any payment for distress/inconvenience.

As the Investigator was unable to resolve the complaint, it has been passed to me.

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.

Only Pets is an insurance broker and intermediary, not an insurer. So it sells policies and might help with their administration but doesn't provide the cover itself, which is the responsibility of the insurer. Only Pets does not therefore set the premium. It seems in this case that it applied the underwriting criteria set by the insurer, but it was doing so on behalf of the insurer. I am only therefore addressing the sale of the policy and can make no decision about the fairness or otherwise of the policy cover and the premium itself.

In any event, it is generally up to insurers to decide what cover they wish to provide and the premium that they want to charge for that cover, based on the risk that it thinks a customer presents. We have no power to make an insurer lower its charges. Similarly, individual consumers have a choice about which policy and which insurer they wish to take insurance with, or not take insurance at all (unless it's a requirement, legal or otherwise).

In general, the cost of insuring a pet will increase each year as the pet gets older and the cost of medical treatment rises. Standard pet insurance policies usually won't cover any medical conditions the pet had, or received treatment, for when the policy was taken out or renewed. So ongoing or recurring medical conditions won't be covered. But "life time" policies like the one Mr H took out, will cover any conditions they develop on an ongoing basis for the rest of their lives – as long as the policy continues. The pet is usually covered up to a set amount each year, until the policy limit is reached and on renewal of the policy, the limit is then refreshed. Providing this cover is expensive, so they tend to be more expensive than other types of pet insurance on the market, and the yearly cost of these lifetime policies can go up significantly at renewal. There is no limit to how much the premium could be and I can't impose one.

Those selling insurance have a responsibility to provide clear information about the cover being provided, the cost and any significant terms or conditions. The information provided to the buyer must put them in a position to make an informed decision about whether or not to take the policy. To fulfil this responsibility, we would expect a seller to explain clearly any significant terms. This may be verbally or by providing clear documentation. In relation to a lifetime pet policy, we would expect the information about the cost of the policy to include the potential for significant increases in the price, given the specific type of cover being provided.

While the insurer is normally responsible for the policy documentation, Only Pets have an obligation to further explain anything which is not sufficiently clear in the documents produced by the insurer. There is mention in the policy document of possible future premium increases but I do not think this on its own was sufficient to inform Mr H of the potential long-term cost implications of this type of policy.

I need to now consider what difference it would have made, if any, to Mr H's position if he had been given sufficiently clear information about this when he first took out the policy.

Mr H 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. In this instance it seems Mr H was looking for a lifetime policy. And as premium rises of this type are common across the market I think it's likely that Mr H would have still bought this policy, as that's the type of

policy he was looking for. And, as mentioned, he had 18 claims under the policy, so benefited for ongoing conditions, which he'd likely have had to pay for himself if he had chosen not to take the policy.

Overall, I don't think he'd have done much different even if Only Pets had given him more information at the point of sale. He'd either have not taken the policy, but would have had to bear the cost of treatment of any ongoing conditions himself, or he would have still taken this or another lifetime policy.

Mr H says he is being priced out of the market and this is unfair. However, as stated insurers are entitled to set their own prices and it is not unfair or unreasonable that they increase those to reflect the risk they are taking on. I understand that Mr H is now in a difficult position but that is not as a result of anything Only Pets did wrong.

However, I do understand that the significant increases in premium, particularly in 2021, came as something of a shock to Mr H, and if Only Pets had given him more information at the outset about the likely effect of claims on premiums, then he wouldn't have been so surprised by the increase. So I agree with the Investigator that some compensation is appropriate to reflect the distress and inconvenience this caused. I also agree that the sum of £350 is appropriate.

Only Pets has asked for confirmation that Mr H will not be permitted any further compensation for the same issue. Mr H is concerned that it is trying to prevent him from complaining about anything to do with the policy again. To clarify, our rules prohibit us from considering a complaint which has already received a final determination. So we would not consider any future complaint about the information relating to premium increases that was provided to Mr H when taking out the policy.

My final decision

I uphold this complaint against Only Pets Cover Limited and require it to pay Mr H the sum of £350 compensation for the distress and inconvenience caused by this matter.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 11 April 2022.

Harriet McCarthy
Ombudsman