

The complaint

Mr N's complaint is about the cost of a pet insurance policy sold to him by Alpha Underwriting Limited.

What happened

Mr N took a lifetime pet insurance policy for his dog in February 2020. The policy was sold to him by Alpha. Mr N was initially quoted £286.49 for the year but after the policy started, the insurer found that Mr N had entered the wrong breed of dog on the online application forms, so it increased the price to £825.73, which it says was the correct premium for the correct breed of dog. Mr N paid this premium by monthly instalments.

When the policy was due to renew in February 2021, Mr N was quoted £3,309.20 for the year. Mr N said he couldn't afford this and was forced to cancel the cover. He said he'd taken the policy with the intention to cover his pet for her lifetime, which was now not possible. His dog was diagnosed with terminal cancer in April 2020 and he was priced out of cover. He wants his policy reinstated at a price in line with the first year's premium.

Alpha said it could offer lower lifetime cover for a lower premium but as it does not set the premiums for cover, it could not do anything more.

One of our Investigators looked into the matter. She didn't think that Mr N had been given sufficient information about the potential increases in price of the policy when he took it out. She recommended that it pay £350 compensation for the distress and inconvenience caused.

Mr N accepts the Investigator's assessment and has not added anything further.

Alpha does not accept the Investigator's assessment, so the matter has been passed to me. It says:

- the renewal price is set by the insurer and so should not be reflected on it as an independent broker.
- The insurer wanted to avoid the policy due to the misrepresentation of the breed but it agreed to continue the cover (at the higher premium) after Alpha asked it to review its position.
- Mr N's misrepresentation at the outset is being condoned and rewarded and it is being penalised.
- It is not clear Mr N would have kept the policy anyway, as eight months into the policy, he missed a premium payment due to financial difficulties, and it was agreed this would be deducted from the claim payment.

The Investigator explained the compensation she recommended was not to do with the misrepresentation of the dog's breed but simply about whether sufficient information had been given to Mr N when he took out the policy that the premiums of this policy could increase in the significant way that they did when it renewed in 2021.

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.

Alpha 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. Alpha does not therefore set the premium. 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. This has already been the subject of a separate complaint against the insurer.

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 "*lifetime*" policies like the one Mr N 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.

This means that while the insurer is normally responsible for the policy documentation, Alpha has 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. On page 21 and 22 of the policy document, it says that the premium might increase as a result of any claims made. I do not think this on its own was sufficient to inform Mr N of the potential long-term cost implications of this type of policy, and the potential for premiums to increase as significantly as they did here.

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

Mr N 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 N 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 N would have still bought this policy, as that's the type of policy he was looking for. And, as mentioned, his dog has a terminal condition, which he'd likely have had to pay for himself if he had chosen not to take the policy.

Overall therefore, I don't think he'd have done much different even if Alpha 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 N 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 N had to make a difficult decision to no longer insure his dog, as he could not afford the renewal premium, but that is not as a result of anything Alpha did wrong. Alpha suggests Mr N may have had difficulty keeping the policy, even if the premium had not increased, but I do not consider this has been established. Mr N might have taken the decision to continue the policy, if the premium had stayed the same, even if it was a financial struggle given his dog's health condition at that time, but the increase in premium was so significant this was not possible.

However, I do understand that the significant increase in premium in 2021 came as something of a shock to Mr N, and if Alpha 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.

My final decision

I uphold this complaint against Alpha Underwriting Limited and require it to pay Mr N 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 N to accept or reject my decision before 28 April 2022.

Harriet McCarthy
Ombudsman