

## **The complaint**

Mr L has complained about the extent of the increase of his premium for a lifetime pet policy underwritten by Aviva Insurance Limited.

## **What happened**

Mr L bought his policy in November 2018 for his dog. At the renewal in 2020, Mr L noticed his premium had risen from £274.11 to £456.36. And Mr L has since told us his premium for 2021 is £625.75.

He considered these to be very substantial increases and complained to Aviva. Aviva didn't think it had done anything wrong and also explained that Mr L had made a claim in the amount of £1,959.90 which also would have influenced the premium increase. Mr L then wanted the amount of cover to reduce but Aviva explained it could only do if he took out a new policy meaning any pre-existing conditions then wouldn't be covered.

Unhappy Mr L brought his complaint to us. The investigator was of the view that Aviva should have done more at the time Mr L bought his policy to explain that his premium could increase significantly given it was a lifetime policy. And because it didn't, it should pay Mr L £200. Aviva thought its policy terms explained the matter adequately so it didn't agree it should pay any compensation to Mr L.

So, on that basis Mr L's complaint has been passed to me to decide.

## **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 upholding this complaint. I'll now explain why.

This service isn't the regulator of insurers like Aviva, the Financial Conduct Authority is. So, we can't tell insurers what premium price it should charge for the risks that are to be covered. That's every insurer's commercial discretion and it's not something this service would interfere with. Neither can we tell Aviva to reduce the cover as Mr L suggested without any break in cover or indeed demand that it shouldn't insist Mr L takes out a new policy in those circumstances meaning pre-existing conditions won't then be covered.

As with all pet policies they are sold on what's called a non-advised basis. That means the insurer or the intermediary marketing the policy provides no advice to the customer other than what's written in the policy, the summary and any other information documents about the policy. This is set out in the duties the insurer must follow in ICOBS the specific regulations covering this.

Mr L chose lifetime cover for his dog so that all conditions would be covered for his dog's life. Mr L's policy was sold by an intermediary. I've looked at what he was told when he took out his policy and it said the following:

*"It is important to note policy terms and conditions can change over time, for example in addition to any excess amount payable you will be required to contribute to the cost of treatment once your pet reaches 10 years of age (7 years for selected breeds). Additionally, premiums will increase due to factors such as your pet's age, claims history and our view of the future costs of providing cover."*

This doesn't fully explain what can happen with lifetime policies if like Mr L, you have had to make a significant claim. And whilst it does say the premium will increase it doesn't suggest the extent of the percentage increase Mr L unfortunately faced. This increase was significant in that he started off in 2019 with a premium of £274.11, which then increased to £456.36 in 2020 and then £625.75 in 2021. So effectively Mr L was being expected to find an additional £200 per year approximately to fund his premiums. The initial increase was 65% which for anyone is significantly substantial. And that level of significant increase is not appropriately explained by the detail above. I consider it should have been.

Obviously, Aviva can't provide exact information on premium increases, but a clearer indication of the possible extent of the increases should have been provided. That would have ensured less of a shock for Mr L and indeed more of an opportunity for him to budget accordingly as his dog aged.

There's no evidence before to say that had Mr L known the extent of the premium increase, he wouldn't have bought this lifetime policy. But now he's in the serious position concerning the affordability of his cover. And of course, changing to another provider means any pre-existing conditions can't be covered.

Therefore, I consider payment of compensation from Aviva to Mr L to account for the shock of the increase is fair and reasonable. I also consider the amount of £200 is also reasonable and it's similar to what I have awarded in previous similar cases.

### **My final decision**

So, for these reasons, it's my final decision that I uphold this complaint for compensation only.

I now require Aviva Insurance Limited to pay Mr L the sum of £200 compensation.

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

Rona Doyle  
**Ombudsman**