

The complaint

Mr M complains about the increase in premium quoted by Aviva Insurance Limited when he changed his car under his motor insurance policy.

What happened

Mr M changed his car and went online to obtain a quote from Aviva. He says he wanted to transfer his policy across to his new car, but this wasn't possible. The price he was quoted was higher for his new car and Mr M didn't think this was fair. He says his new car is smaller and less powerful than his old one. He also says he has no driving convictions or claims and has been driving for over 40 years.

Mr M says he cancelled the policy as he wasn't prepared to pay the higher premium and sought cover elsewhere. He says Aviva also accused him of not paying a direct debit payment when this wasn't the case. Mr M asks that Aviva pays the difference between his old and new premium and compensates him for the upset caused.

Aviva says its premium was calculated fairly based on its established underwriting criteria. It says it was unable to collect the direct debit payment for February 2022 as Mr M had cancelled his payment instruction. It says an offer was made to waive the £50 cancellation fee, which Mr M declined.

Mr M referred the matter to our service. Our investigator didn't uphold his complaint. He says Aviva has supplied its underwriting information that shows the new premium was based on the same factors apart from the new car's registration. He didn't think Aviva had applied ratings unfairly or treated Mr M any differently to other customers in similar circumstances.

Our investigator says when Mr M cancelled his policy in January 2022 the payment for the start of February had already been requested by Aviva. He says this is why the payment is shown as being taken and then refunded. But he didn't think Aviva had done anything wrong here.

Mr M still didn't think it was fair for Aviva to increase his premium to the extent it had. So, he asked for an ombudsman to consider his complaint.

It 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 have decided not to uphold Mr M's complaint. I understand he will be disappointed, but I will explain why I think my decision is fair.

The premium an insurer charges is based on an assessment of the likelihood of a customer making a claim and how much this is likely to cost. A wide range of factors are considered, and each insurer will have its own approach and appetite for taking on risk.

It's not our role to dictate to an insurer what it should charge customers for an insurance policy. The price it charges, and the methods used to calculate its premiums are a commercial decision for it to make.

So, we won't usually make any judgements about the way an insurer chooses to assess risk, the risk assessments it makes – or the premium it charges to cover a certain risk. But we will consider whether the insurer treated its customer fairly in the same way it would other customers, which is consistent with its general approach to pricing.

We asked Aviva for its underwriting information, which it has supplied. I have read this information to determine whether it used its established underwriting criteria when calculating Mr M's premium.

Aviva's underwriting criteria is sensitive commercial information, so I can't share it. But I've considered the information it provided, and I'm satisfied it did follow its established process when calculating Mr M's premium.

I can see from the information supplied that a wide range of factors were considered when Mr M asked for a quote for his new car. But from the information Aviva provided it didn't change anything other than the car details. I think this shows it did treat Mr M as it would've any other customer.

Aviva explains that Mr M changed how he was to pay the premium for the new quote. This meant he was to pay monthly as opposed to annually as he had done previously, which included a charge for finance. So, this added to the overall cost.

I can understand why Mr M was surprised and disappointed with the increased premiums he was quoted by Aviva. This was a significant increase compared with the premium he had paid for his old car. But this doesn't mean Aviva treated him unfairly. The level at which it sets its premiums is a decision for it to make. But I'm satisfied it treated Mr M the same as it would any other customer when calculating his premium.

Mr M says he was unfairly accused of not paying a direct debit payment that was owed. I note Aviva's explanation that it was unable to collect the February 2021 direct debit as the instruction had been cancelled. However, the process of collecting the payment had already begun prior to the cancellation. This is why it shows as it does on Mr M's bank statement. From what I have seen I don't think Aviva behaved unfairly here, given its explanation.

I'm sorry that Mr M is upset with the rise in cost of Aviva's premium for his new car. But I think it has treated him fairly when calculating his premium. So, I can't reasonably ask it to do any more to resolve his complaint.

My final decision

My final decision is that I do not uphold this complaint.

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

Mike Waldron
Ombudsman