

The complaint

Mrs and Mr P complain about how Royal & Sun Alliance Insurance Limited (“RSA”) handled the administration of their home insurance policy.

What happened

Mrs and Mr P have a home insurance policy with RSA covering their household contents.

In April 2021, some accidental damage happened to Mrs and Mr P’s wardrobe. Mrs P was aware they’d made a claim under their household insurance before, so she asked RSA what the impact would be on their premium at renewal if they were to make a claim for the damage.

RSA’s claims handler told Mrs P their premium wouldn’t be affected, so Mrs and Mr P continued to make the claim.

When their policy renewed, Mrs and Mr P found that their premium had increased from £580.91 to £1,013.23.

Because Mrs and Mr P weren’t happy, they complained to RSA. They ask for their premium to be reduced to the previous year’s figure.

RSA apologised and said Mrs and Mr P hadn’t been given the correct information by its claims handler about the impact of the claim on their renewal premium. It said that the premium charged was correct, so it wasn’t able to reduce it. RSA paid them £150 for their inconvenience.

Mrs and Mr P remained unhappy and brought their complaint to this service. Our investigator looked into it. He also said he thought that, if RSA’s claims handler said what they should have said when asked about the impact on the premium, then Mrs and Mr P would have continued with their claim for the wardrobe. So he thought RSA’s offer of £150 compensation was fair and RSA had acted reasonably in charging the higher premium at renewal.

Further details were then provided about Mrs & Mr P’s claims history. Other claims had been registered under their household policy in 2020, for accidental damage, and in 2018 for some lost property.

The 2018 claim was logged on RSA’s system as a claim under the personal possessions section of the policy. But it emerged that it had been incorrectly recorded. The claim was made while Mrs and Mr P were on holiday under their travel insurance policy, and as such it should have been logged as a contribution claim against their home insurance. This means it shouldn’t have impacted their no claims discount.

Our investigator said RSA should change its system and update a central database of claims, called CUE, to correct how the 2018 claim was recorded. He said RSA should refund additional amounts overpaid by Mrs and Mr P from September 2021 once the premium was re-calculated with the correct details of the 2018 claim.

RSA agreed with the view, but Mrs and Mr P didn't. They asked that their complaint was reviewed by an ombudsman, so it has been passed to me to make a final decision.

I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

It seems to me that RSA's claims handler made a substantial error in April 2021 when Mrs and Mr P contacted it to make a claim. The claims handler should have advised that the renewal premium might be affected, and that it would be reviewed by an underwriter when the policy was due to renew.

But what the claims handler actually said, which is borne out by the evidence from RSA, was that the premium wouldn't change because Mrs and Mr P could have made up to three claims in three years without affecting their premium.

Mrs P says that she only continued to make the claim because of what the claims handler told her, and I think it's a reasonable position of her to take.

RSA's actual approach to protected NCD on its household policy is that the first claim does not affect the amount of discount, but the second and subsequent claims each knock two years off.

It's important that I say here that Mrs and Mr P's premium would usually change every year due to various factors, which would include the claims and losses they'd had. But their NCD expressed as a percentage would still be applied to the underlying premium.

So, making a claim might not affect the NCD percentage, but the premium paid would most likely still change because of the way that insurance companies assess risk and price their policies.

2018 claim and impact

What has also emerged in this complaint is the 2018 claim for lost property and how it was mis-classified on RSA's system. It's Mrs and Mr P's contention that this claim has been incorrectly recorded by RSA and affected their NCD and premium.

RSA have provided evidence to this service where it has looked at the impact of the 2018 claim on Mrs and Mr P's premiums. I can see from its evidence that the premiums Mrs and Mr P were charged are correct, and at the correct full (25%) level of NCD as though the 2018 claim hadn't happened.

As I have already mentioned, the level of NCD is correct, but the premium charged may have changed because of the claim that had been made.

I agree with our investigator that RSA need to update its records, and CUE, to make sure the 2018 claim is correctly categorised, but I'm not persuaded to ask RSA to do anything further about the different premiums it may have charged Mrs and Mr P solely because of the 2018 claim.

2020 and 2021 claims and 2021 renewal

RSA have said that Mrs and Mr P's claim in 2020 wasn't taken into account until the 2021 renewal. This meant that the 2018 and the 2020 and 2021 claims impacted their NCD together, dropping the discount from 25% to 5%.

But I have said above that I don't think it's fair that RSA's claims handler to have given the wrong information to Mrs and Mr P, so I propose that RSA should recalculate the 2021 renewal premium with a "full" 25% discount and refund the difference to Mrs and Mr P.

I do appreciate that Mrs and Mr P asked for their 2021 premium to be the same as 2020, but I don't think it's fair to ask RSA to do this because of the way insurance companies calculate premiums as I've set out above.

Future renewals

Mrs and Mr P have also mentioned that their premium and NCD will be affected in future years. They have said about how RSA's claims handler gave them the wrong information in 2021 when they rang to make a claim, and they say they are entitled to rely on what they were told.

But I can also see that RSA's scale of NCD is set out in its policy wording which Mrs and Mr P have.

It seems to me that Mrs and Mr P's correctly calculated NCD at renewal in 2021 should have been three years (or 15%), so at renewal in 2022 it should be four years (20%), assuming that Mrs and Mr P haven't made any additional claims.

In other words, 20% compared to the maximum of 25% which Mrs and Mr P believed they were entitled to.

I understand that Mrs and Mr P had access to this information in their policy wording, but taking into account the explicit information they were told when they made the 2021 claim, I think it's fair that I ask RSA to apply five years (25%) NCD for their 2022 renewal.

I've explained above about how NCD is applied to the underlying premiums that RSA charge, so it's not possible for me to comment on what premiums RSA may apply in the future.

Distress and inconvenience

I've said above that I think RSA's claims handler made a substantial error when discussing Mrs and Mr P's wardrobe claim with them.

I can see from the file that this has caused them distress and inconvenience and the discovery of the mis-categorisation of the 2018 claim has helped explain why the impact on their 2021 renewal premium was so large.

Our investigator recommended that RSA pay Mrs and Mr P £150 for their inconvenience and I agree with him that this amount is fair and inline with what this service would recommend in similar situations. So I'm not going to ask RSA to pay any more.

My provisional decision

For the reasons set out above, my provisional decision is that I intend uphold this complaint. I intend to require Royal & Sun Alliance Insurance Limited to:

- *Ensure the 2018 claim is categorized correctly as contribution on RSA's system and CUE.*
- *Re-calculate Mrs and Mr P's 2021 renewal premium with 25% NCD, and refund them*

the difference between what they paid and this figure.

- *Allow Mrs and Mr P five years' NCD (25%) at 2022 renewal, subject to the terms and conditions of the policy, and assuming that no further claims have been made by Mrs and Mr P.*
- *Pay Mrs and Mr P £150 compensation for their distress and inconvenience. It's my understanding that this amount has already been paid.*

Responses to my provisional decision

Mrs and Mr P accepted my provisional decision and RSA said it didn't have anything to add.

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.

As the parties agreed with my provisional decision or had nothing to add, my final decision and reasoning remains the same as in my provisional decision.

My final decision

For the reasons set out above, my final decision is that I uphold this complaint. I direct Royal & Sun Alliance Insurance Limited to:

- Ensure the 2018 claim is categorized correctly as contribution on RSA's system and CUE.
- Re-calculate Mrs and Mr P's 2021 renewal premium with 25% NCD, and refund them the difference between what they paid and this figure.
- Allow Mrs and Mr P five years' NCD (25%) at 2022 renewal, subject to the terms and conditions of the policy, and assuming that no further claims have been made by Mrs and Mr P.
- Pay Mrs and Mr P £150 compensation for their distress and inconvenience. It's my understanding that this amount has already been paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P and Mr P to accept or reject my decision before 22 September 2022.

Richard Sowden
Ombudsman