

## **The complaint**

Mr C complains that EUI Limited (EUI) unfairly increased his policy premium mid-term because he changed occupation.

## **What happened**

In September 2021 Mr C went online to update his motor insurance policy due to a modification he'd made to his car. He wasn't able to make the change online and so called EUI instead. During the call he was asked about his occupation. When taking out the policy he was employed as a bank consultant, but he told EUI he now worked as an estate assistant. During the call the policy was also amended to include commuting as an insured activity.

The modification to the car resulted in a small additional charge of £9.50. But the occupation change meant an additional charge of £522.59. Mr C says he doesn't drive any differently and thinks this additional charge is excessive.

EUI says its premium assessments are based on its previous experience of claims for other customers with comparable details. It says it uses detailed statistical models, that study the past claims experience for similar customers. And the occupation of janitor, or maintenance staff, as a group have a considerably worse claims experience than Mr C's previous occupation.

EUI says the premium it charges for this occupation reflects the additional risk it takes on as an insurance company. It isn't able to explain why it sees this increased risk for this occupation, but says the increased premium is purely due to the risk of higher claims costs and for no other reason.

Mr C still thought EUI hadn't been fair and referred his complaint to our service. Our investigator upheld his complaint. He says our service doesn't generally consider for insurers to charge for mid-term changes that aren't fundamental changes in risk.

He thought the change in use to allow Mr C to commute to work, could represent a fundamental change. But EUI explained this change had actually had the effect of reducing the premium, albeit only slightly. Our investigator didn't think the additional risk of Mr C's new occupation had relevance to his driving – but rather this related to the general risk posed by someone in that occupation.

Our investigator thought it was fair for EUI to assess Mr C's premium based on the risk of his new occupation at renewal. At this point he would be free to shop-around and wouldn't be impacted by cancellation fees or the loss of a no-claims bonus. But he didn't think it was fair to charge an additional premium because of the change in occupation mid-term, as this wasn't relevant to Mr C's driving.

EUI disagreed. It says the occupation change represents a fundamental change to the risk it was covering. Not just relevant to Mr C's driving but also to the likelihood of a claim being made. It sent underwriting information to show the increased frequency and cost of claims

when considering Mr C's new occupation against his previous one. Our investigator didn't change his mind. So, EUI asked for an ombudsman to consider Mr C's complaint. It has been passed to me to decide.

I issued a provisional decision in August 2022 explaining that I was intending to uphold Mr C's complaint. Here's what I said:

*provisional findings*

*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 to uphold Mr C's complaint. Let me explain.*

*My remit here is to consider the mid-term price increase applied by EUI and decide whether this was fair.*

*It's important that I make clear that we're not the industry regulator. So, it's not my role to determine how much an insurer should charge, what factors it should assess, or how much risk to attach to each of these when deciding on a premium. Insurance is essentially an assessment of risk. And we generally take the view that, provided people are treated fairly, insurers are entitled to charge what they feel they need to in order to cover a risk.*

*An insurer will consider many factors when setting a premium. It will assess how likely it is that a policyholder will make a claim and how much they might have to pay out. Each insurer will go about this in its own way. So, when deciding if an insurer has dealt with a policyholder fairly, I look to see if it's treated them the same as it would others with similar circumstances.*

*EUI has provided some information relating to its experience of average claim costs between Mr C's old and new occupations. But it hasn't shared detailed underwriting information that would allow me to see that it treated Mr C as it would any other policyholder in a similar situation when it calculated the change in his premium.*

*Our investigator set out our general approach to considering whether a mid-term price increase is thought to be fair. I agree with this approach in these circumstances and I've given thought to whether the changes represent a fundamental change in risk in order to justify a mid-term addition to Mr C's premium.*

*The most significant impact on risk was due to Mr C's occupation change. EUI says, "the additional premium is purely due to the risk of higher claims costs and no other reason". I acknowledge its reasoning for the increase is based on a statistical analysis of someone in that occupation making a claim. But it's not uncommon for policyholders to change their occupation over a policy year. Mr C was still the policyholder and living at the same address.*

*EUI agreed an annual contract with Mr C so it's not unreasonable to expect some minor changes within the policy year, which don't fundamentally alter the risk it has agreed to cover. I accept the cost of Mr C's cover might increase at renewal to reflect EUI's risk assessment of his occupation. At this time Mr C will be free to decide if he wants to maintain his cover.*

*Mr C is only using his car to commute to his place of work not to use during. Using his car to commute to work reduces the risk he poses to EUI. So, because I don't think the change in occupation is relevant to Mr C's driving, such as a change of car or address, and it doesn't*

*represent a significant change in the circumstances – I don't think EUI treated him fairly by applying an additional premium mid-term.*

*I don't think EUI should have charged Mr C the additional premium for his change of occupation and this should be refunded. I'm aware that Mr C says he had to use a credit card to pay for this increased cost as he didn't have the money to be able to pay out of his everyday funds. In the circumstances I think it's fair for EUI cost of the interest charges he incurred to pay the additional premium.*

I said I was intending to uphold Mr C's complaint. EUI Limited should:

- refund the additional premium charge for the change in occupation along with the interest charges Mr C incurred on provision of proof.

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

EUI didn't respond with any further information or comments.

Mr C responded to say he accepted my provisional decision. He also explained that he hadn't incurred any interest charges as he had been able to obtain a credit card with 0% interest.

### **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 neither party has made any further submissions or provided further evidence for me to consider, I see no reason to change my provisional findings, other than to remove the part about refunding interest charges.

So, my final decision is the same as my provisional decision and for the same reasons.

### **My final decision**

For the reasons I've given above and in my provisional decision, my final decision is that EUI Limited should:

- refund the additional premium charge for the change in occupation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 14 October 2022.

Mike Waldron  
**Ombudsman**