

The complaint

Miss H has complained about her property insurer Lloyds Bank General Insurance Limited because of the price it has been charging her for cover.

What happened

Miss H had cover with Lloyds since 2011. Her policy documents showed her as having a 99-bedroom home. This was corrected in 2016 to two bedrooms. In 2021, following a complaint about the price of cover, Lloyds reviewed what it had been charging Miss H. It noted that based on other products and charges it would have made since 2016, Miss H was due a refund. It initially paid her £210.31 plus interest, but later said it would increase this to £254.07, plus interest. But it didn't agree to re-rate the premiums charged before 2016 based on the correct number of bedrooms.

Miss H, represented by her Power of Attorney, complained to this service. Lloyds told us that the number of bedrooms recorded was likely due to "default" data being recorded and hadn't necessarily affected the policy price.

Our Investigator felt it was most likely that the number of bedrooms had impacted the price charged. So she felt that Lloyds revision of prices, from 2016 only, was unfair and unreasonable. She said it should recalculate the premium from 2011 onwards, based on the correct number of bedrooms. Further, if that showed Miss H had been overcharged for cover, any additional overspend should be reimbursed to her, plus interest*.

Lloyds said the policy, which contained default data, had been given an average price. It said it wouldn't look to correct that type of detail retrospectively.

The complaint was passed for an Ombudsman's decision.

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.

Lloyds has told us two things about the number of bedrooms. First that it isn't necessarily the case that the price for cover was based on the property having 99 bedrooms. And second that "99", being a default figure, meant the policy for the property was given an "average" price. So it seems its most likely that the price Miss H was charged for cover didn't truly reflect the risk she presents to it – because average pricing was applied and the number of bedrooms she actually has wasn't used. And I am satisfied that the number of bedrooms a property has is a common influencing factor in the pricing of premiums. So Miss H hasn't been charged fairly because the 'risk' she has paid for is not a true representation of the 'risk' she presents to Lloyds as a policyholder. Miss H may not have been aware of that though. So I do think Lloyds should re-price the cover for Miss H from 2011 based on the correct number of bedrooms.

Once Lloyds has determined what the correct price should have been, if that is less than what Miss H was charged, the difference should be refunded to her, with interest* applied to each reimbursed sum from the date the policy related to that charge renewed, until settlement is made.

Putting things right

I require Lloyds to re-calculate Miss H's cost for cover from 2011 onwards based on her home having two bedrooms. Once done, and the results are compared to what Miss H actually paid, any difference, over and above what was paid, should be refunded to Miss H, plus interest* on each reimbursed sum from the date the policy related to that charge renewed, until settlement is made.

*Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. HM Revenue & Customs requires **Lloyds** to take off tax from this interest. If asked, it must give Miss H a certificate showing how much tax it's taken off.

My final decision

I uphold this complaint. I require Lloyds Bank General Insurance Limited to provide the redress set out above at "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 23 November 2022.

Fiona Robinson
Ombudsman