

The complaint

Mr B has complained that Society of Lloyd's trading as Lloyd's of London ('SOL') unfairly increased the cost of his income protection policy.

What happened

Mr B took out an income protection insurance policy in 2019 which was renewable monthly. In July 2020, Mr B was told the price of the policy would increase from £65.51 to £72.06. In January 2021 he was told the price would increase to £126.10 and in July 2021 he was told the price would increase to £195.46.

Mr B complained about the price increases but SOL said the increases were a commercial decision and that as the policy was renewable monthly, it could change the price and benefits at any time. SOL said its decision to increase premiums related to the number of claims it had received as a result of the Covid-19 pandemic.

Unhappy, Mr B referred his complaint to this Service.

Our investigator looked into the complaint and recommended that SOL pay Mr B £500 compensation as the policy terms didn't make it clear that the premium could increase multiple times and could be unlimited.

Initially, SOL didn't think £500 compensation was reasonable. It offered £150. Following further correspondence, it said would take a pragmatic view and sent a cheque for £500 to Mr B.

Mr B disagreed with the level of compensation and in summary, has made the following comments:

- He also complained about the sale of the policy but this hasn't been addressed.
- He hasn't seen SOL's underwriting criteria or evidence to support the reasons for the premium increases.
- He never would have taken the policy had he known about the risk of increase in premiums.
- He is now even further out of pocket as he continued with the policy during our investigation. He should be due a refund of premiums.
- Mr B would like a detailed breakdown of the £500 compensation. He would like to know how many people cancelled after the premium increases and also confirmation that other insurers also increased premiums.

And so the case has been passed to me for a final 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.

Our investigator has already set out the relevant rules and industry guidelines that apply. And I agree that they are the relevant considerations in this case.

Mr B is unhappy with the way the premiums were increased and didn't think he had been treated fairly. That is no longer in dispute and all parties agree that the policy information could have been clearer about the level and frequency of premium changes.

However, Mr B remains unhappy that specific evidence hasn't been provided to him and is also unhappy with the compensation he has been awarded. So my decision will focus on these outstanding issues.

- This decision only deals with the complaint about the premium increases and not the sale of the policy. Mr B has been informed he would need to raise a separate complaint about the sale of the policy with the seller.
- In relation to the evidence that Mr B would like to see (underwriting criteria and evidence to support increases), this is commercially sensitive data that I cannot share with him. I would like to reassure Mr B that I have reviewed all of the information provided by SOL and have considered everything as a whole.
- We investigate complaints based on the specific and individual circumstances of each case. I don't have information about the number of people who cancelled their policy. And whether other insurers also increased premiums isn't a relevant consideration to my decision. SOL is entitled to increase premiums and decide whether or not it's willing to cover a particular insurance risk. However, the way it increases premiums has to be explained clearly and applied fairly. And that is what I have considered in this decision.
- Mr B says he never would have taken the policy and so should be due a refund of premiums. I've thought very carefully about whether a refund of premiums would be fair in the circumstances of this case. I don't think it would be. SOL was entitled to increase the cost of cover even though the way the increases could happen weren't clear enough in the policy documents. Mr B was still benefitting from having cover in the event he needed to claim and SOL was bearing that risk. So I don't think a refund of premiums is the fair and reasonable outcome in this case.
- Mr B did agree to the initial premium cost and could reasonably have expected some price increases over the years. However, based on the number and levels of increase, he was caused shock, distress and inconvenience and a loss of expectation of how the policy would be priced. For that reason, I consider £500 compensation is appropriate to recognise the impact on Mr B.
- Mr B would like a detailed breakdown of the compensation paid. Distress and inconvenience awards aren't broken down in this way as it isn't an exact science – each case is considered on its own merits. Our approach to compensation awards is available on our website. But to clarify for Mr B, I think £500 is appropriate based on the significant distress and inconvenience that would have been caused to him when he realised SOL could increase the premium in the way that it did and the resulting frustration of having to cancel and consider an alternative policy.

My final decision

For the reasons set out above, I think the £500 compensation already paid By Society of Lloyds is reasonable and so I won't be directing it to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 30 June 2023.

Shamaila Hussain
Ombudsman