

## **The complaint**

Ms D complains that British Gas Insurance Limited (BG) increased her home emergency premium unfairly because she'd been a long-term customer.

## **What happened**

Ms D had home emergency cover with BG for 13 years. In 2022, after finding cheaper policies online with other insurers, she complained to BG. Ms D said BG had overcharged her for years because she was a loyal customer.

BG offered Ms D an alternative, cheaper policy which she accepted. But she asked BG why it hadn't offered her alternative policies at renewal and requested a refund of the overcharges.

After looking into her complaint, BG issued a final response. It said Ms D had chosen to renew each year so there would be no refund of her payments.

Ms D complained again to BG because she found the response unprofessional, and she felt justified in asking for a refund of her payments. BG apologised for the tone of its letter, but repeated the underlying message. So, Ms D brought her complaint to this service.

Our investigator upheld Ms D's complaint. He said BG had made Ms D aware of other policies available to her, but he thought she'd become an inert customer from the 2018 renewal – that is, Ms D didn't engage with BG about the price of her policy at renewal.

He recommended that BG refund the difference between her new policy premium and her renewal policy premiums from 2018 onwards. Our investigator noted that the new policy had a £60 excess whereas the previous policy didn't. So, he proposed that BG deduct any excess charges that Ms D would've incurred had she been placed on the new policy sooner. Further to this, our investigator proposed £100 compensation for the service shortfalls he identified and recommended that BG pay interest on the refund due to Ms D.

BG didn't agree. It said Ms D had been given all the information she needed to look at alternative policies, so it wasn't responsible for her decision to remain on the same policy for 13 years. BG also said it took many risk factors into consideration when pricing her policy, and length of custom wasn't one of them.

I issued a provisional decision in March 2023 explaining that I was intending to partly uphold Ms D's complaint. Here's what I said:

### ***provisional findings***

#### ***Renewal premium***

*For me to uphold Ms D's complaint, I'd have to be satisfied that the evidence shows BG, more likely than not, increased her premium just because she'd been a customer for a long time. BG provided assurance that its pricing model prohibits a premium increase based*

*solely on customer loyalty. Even so, I've looked at the evidence and reasons it gave for the increase to determine whether the premium increase looked unfair.*

*BG said the premium increase was based on Ms D's risk, including the boiler age and number of claims. I won't include a detailed breakdown of the premium changes each year because I'm aware both Ms D and BG have seen the information I'm relying on. Instead, I'll summarise what I've seen.*

*From the renewal in 2010 to that in 2018, Ms D's premium fluctuated within an overall £109 increase. On four occasions the premium went up at renewal. On four occasions the premium went down. So, up to 2018, the evidence doesn't point to BG increasing the premium because of Ms D's lack of engagement at renewal.*

*The biggest single premium increase was for the 2019 policy, increasing by £71 from the year before.*

*The premium increased by £13 for each of the following two years. Then, in 2022, it went up by £55, which is when Ms D complained to BG.*

*Having identified those two key points where Ms D's premium increased more than might be expected – 2019 and 2022 – I've considered the evidence BG provided to explain the increase. BG said the number of claims and the boiler age were the two risk factors which changed from previous years. Looking at BG's calculation of Ms D's premium, I'm satisfied that claims and boiler age are the only two risk factors which changed notably.*

*The claims history shows that BG attended to Ms D's boiler on several occasions in the year before the 2019 renewal. BG said it only includes claims in its risk calculation which are clearly separate reported faults. That is, it doesn't class a return visit within a fixed timeframe as a new claim, but reporting the same or similar problem months later would be a new claim. I note that at least three visits were classed as separate claims leading up to the 2019 renewal. Before the 2022 renewal, there were two separate claims. Therefore, I'm satisfied that BG has shown that its premium calculation based on the claims risk factor reflected the claims history.*

*For clarity, I've disregarded any annual boiler service visits.*

*Ms D's boiler was around 25 years old. Given the age of the boiler, and BG's claims history evidence showing repeated faults, it's unlikely the risk of her boiler developing a fault would've decreased. So, I don't think it's unreasonable that BG changed the risk factor to reflect the age of the boiler, which in turn led to an increased premium.*

*The risk factor for repeat custom/renewals didn't change at all over the years, which tells me BG didn't increase Ms D's premium purely because she remained a loyal customer.*

### **Alternative policies**

*I've thought about Ms D's complaint about BG not providing details of other policies available to her. To uphold this element of her complaint, I'd need to see that BG didn't give any information about other policies and that Ms D was financially disadvantaged by that.*

*In its renewal letters, BG:*

- *gave details of how to contact it to discuss other policy options;*
- *advised Ms D to check whether the policy remained suitable for her needs;*
- *said other insurers may provide similar policies at a lower premium, and*

- suggested shopping around.

*The following is an example of the wording included on the first page of Ms D's renewal documents:*

*You can see how your renewal price has been worked out on page 3.*

*Thanks for staying with us - we really appreciate it. You have been with us a number of years. You may be able to get the insurance cover you want at a better price if you shop around. Please also check you're still happy with the cover you're getting with us and if anything's changed... That way, you'll only pay for the cover you need.*

*To change your cover, access your online account...where you can take a look at what other options we can offer you.*

*In reaching my provisional decision I've taken into consideration all the evidence available to me, which includes Ms D's confirmation that she had an ongoing awareness of matters relating to rising policy prices for inert customers. I've also noted her comment about choosing to pay the premium over other things rather than risk being without heating. That said, it remained BG's responsibility to make sure Ms D was aware of her options at renewal. Having considered the evidence, I'm satisfied BG provided sufficient information to make Ms D aware that other policies were available to her.*

*Moving on to the issue of financial detriment, I've looked at the policy Ms D had originally and the one she moved to after contacting BG about cheaper policies.*

#### *Original policy*

*Ms D's original policy didn't have an excess charge. So, it's reasonable to think she benefitted from the knowledge that she could report any problems with her central heating and boiler without incurring any additional charges. Ms D said having a reliable source of heating was important to her due to health conditions, so it may be that she'd have wanted that reassurance. Ms D didn't have to pay callout charges for any of the visits I've mentioned.*

#### *New policy*

*In 2022, Ms D accepted BG's offer of a new policy, similar to the one she had before but with a lower premium. The new policy had a £60 excess fee. Thinking again about Ms D's circumstances, if she'd been on that policy sooner, each time she called BG to attend to her broken boiler she would've been at risk of incurring the excess fee. While the fee was only payable for new problems, until BG attended to the reported fault Ms D wouldn't have known whether she'd be incurring an excess fee. Given the age of her boiler, it's reasonable to assume that she'd experience more faults, so it seems Ms D has made a clear choice to accept more risk at this point in terms of potential excess fees for call outs to new problems.*

*Based on what I've said here, I can't reasonably conclude that Ms D suffered a significant financial loss by staying with the same policy rather than switching to another of BG's policies. She mentioned options available to her with other companies at a much lower premium, yet she remained with BG. This suggests to me that she was aware of her options and made a clear choice about her policy.*

*Overall, I think BG provided sufficient evidence to show that the factors which affected the premium were claims and boiler risk. The evidence shows that the risk factor for customer loyalty remained the same throughout, therefore, I can't fairly say that BG increased the*

*premium because Ms D stayed on the same policy. I don't plan to ask BG to refund any payments.*

### **Compensation**

*After BG looked into Ms D's complaint, it sent her a final response letter not upholding her complaint. Ms D found it unprofessional.*

*I've looked at the letter and I agree with Ms D. I consider the tone inappropriate, dismissive and rude, and the content doesn't address the key issues of her complaint in any depth. I find this unacceptable. BG should've provided Ms D with a full and proper response to her concerns. In failing to do so, BG caused Ms D inconvenience and upset because she felt the need to contact BG again to try to get answers to her questions.*

In light of this evidence of poor service, I said I was intending to require BG to pay Ms D £100 compensation by way of apology.

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

Ms D didn't accept my provisional findings. She raised several points which I'll address in my findings, below.

BG had nothing further 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.

Having done so, I've decided to partly uphold Ms D's complaint. I realise this will be disappointing to Ms D, but I haven't seen anything in the evidence, or her further comments, to show that BG increased her premium because of her loyalty.

### **Online quotes**

Ms D pointed out that she'd found a cheaper policy online with BG, not with other suppliers. I understand why she thinks that means BG charged her unfairly.

I've thought again about Ms D's complaint in light of this correction, but I can't say it makes a difference. That's because, whether or not the quotes were from BG, the premium she compared with was based on being a new customer with a policy excess. So, her comparison was not conducted on a like-for-like policy as an existing customer.

Ms D said she hadn't incurred call out fees equivalent to the price difference between her existing policy and the online quote. Taking out a more expensive policy with less risk was a decision Ms D made. The benefit to her would've been the knowledge that she could claim without incurring call-out fees. I can't fairly say that BG was at fault just because Ms D didn't need enough repairs to warrant the policy she bought.

### **Postal renewals**

Ms D said BG knew she'd taken out a policy which wasn't managed online, therefore any renewal offers showing cheaper policies should've been sent by post.

I've looked again at the renewal letters BG sent to Ms D. They include details of four different types of contact method – email, post, phone call and textphone. I also note that on the page where the alternative policies are listed, the renewal letter says:

#### ***We're here if you need us***

*If you'd like any help in reviewing your existing cover and deciding what's best for you just call us free on (telephone number given) and we'll be happy to discuss your choices.*

The renewal letters changed over the years in line with regulatory requirements, so there will be some differences in wording. But, overall, I'm satisfied that the evidence shows BG provided sufficient information to make Ms D aware that she could ask for a different policy and without needing online access.

### **Policy premium**

Ms D provided another copy of the policy premiums charged over the years and said the price didn't go down at all.

It's fair to say the policy premium never went below the *price at inception*, and I wouldn't necessarily expect it to. That's because BG will likely have factored in discounts for her as a new customer. But the price was lower on four occasions than in the previous year. For example, the premium for year five was less than it had been in the previous three years.

As the price went down as well as up, this indicates BG didn't charge more because of her loyalty.

### **Correspondence**

Ms D said she didn't receive any other correspondence from BG after its unprofessional letter in response to her complaint. She said if BG had replied sooner she could've changed her policy sooner and saved money.

BG's records show that it sent the final response letter around three months after Ms D first complained. Ms D complained about the letter and BG responded by phone call just a few days later. BG's records show it agreed with Ms D about the tone of the final response, but it stood by the underlying message. And the records show that it was here that Ms D changed her policy.

So, I agree there was a delay of just over three months from Ms D's original complaint to BG's final response. Taking into consideration the requirement for BG to issue a response within eight weeks, the avoidable delay is just over a month. During that time Ms D was free to change her policy. I haven't seen anything to indicate that BG was responsible for any additional premiums during the course of Ms D's complaint.

Therefore, I'm satisfied that my requirement for BG to pay £100 by way of apology for its response to Ms D is fair and reasonable.

### **Missed breakdown cover offer**

Ms D's final point is that she feels BG has shown bias because she missed out on free breakdown cover when she joined British Gas as an energy customer. This part of Ms D's complaint is about British Gas Retail as her energy supplier and falls outside my remit. I can only consider her complaint about the home emergency insurance policy provided by British Gas Insurance Limited. Therefore, I won't respond to this point.

In summary, the evidence shows BG increased Ms D's premium notably on two occasions. Both of those renewals directly followed instances of repeated claims. The evidence confirms that the only risk factor changes were for claims and boiler age. The risk factor for repeat custom/renewals remained the same. Therefore, I'm satisfied that the evidence suggests BG didn't charge Ms D an increased premium because of her loyalty. I don't uphold this part of Ms D's complaint.

However, BG's final response to Ms D was inappropriate and in recognition of that, I'm satisfied compensation is warranted.

### **My final decision**

For the reasons I've explained above, and in my provisional decision, I uphold Ms D's complaint in part and British Gas Insurance Limited must:

- pay Ms D £100 compensation by way of apology for the service shortfalls when responding to her complaint about her policy premium.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D to accept or reject my decision before 19 May 2023.

Debra Vaughan  
**Ombudsman**