

The complaint

Ms C and Mr R complain that Royal & Sun Alliance Insurance Limited unfairly increased the cost of their home insurance policy and incorrectly recorded a claim they'd made under their home emergency cover.

What happened

Ms C and Mr R held a household insurance policy that was underwritten by Royal & Sun Alliance Insurance Limited (RSA) since 2018. Their policy renewed on 6 April each year. On 27 February 2022, RSA sent Ms C and Mr R a renewal invitation, which offered to renew their policy on the same terms for a cost of £420.17.

Ms C and Mr R were unhappy with renewal quote they received. They said their renewal premium had increased by over 65% from the previous year even though they hadn't made any changes to their policy. And they noticed there were 4 accidental damage claims recorded under their claim history. They said this was incorrect because they'd only made one claim under their home emergency cover in late 2021.

Ms C and Mr R contacted RSA to discuss their renewal quote on 11 March 2022. During this telephone call, Ms C and Mr R say RSA confirmed that their no claims discount (NCD) remained at 7 years, which provided a discount of 25%. But they say they weren't told specific information about why the premium had increased as this was "*commercially sensitive*".

Ms C and Mr R said they had subsequent discussions and spent a lot of time trying to understand what had led to their premium increasing. But they weren't provided with a detailed explanation. They believed that this may have been down to a large increase in the cost of their accidental damage cover and asked RSA to remove it from their policy.

On 23 March 2022, Ms C and Mr R were sent an amended renewal invitation, which offered to renew the policy for £321.74. This quote didn't include accidental damage cover as Ms C and Mr R had requested. They went ahead and renewed their policy. But they remained unhappy overall with the information they'd been given by RSA about why their renewal premium had increased. They felt there'd been an unfair increase in the price and complained.

Ms C and Mr R told RSA they wanted clear information about why their premium had increased by over 65% in 2022. They also stated that, as part of the resolution to their complaint, they wanted compensation and for any claim recorded under the accidental damage cover to be removed from insurance databases.

When RSA responded to Ms C and Mr R's complaint it explained that the premium increase was in line with its pricing structure and the new rules that had been introduced by the FCA in January 2022. So, it said the renewal price was no more expensive than the price that would have been quoted to a new customer for the same level of risk and cover. RSA accepted that it had incorrectly recorded the home emergency claim as 4 accidental damage claims. It apologised for this error and confirmed it had corrected this on the

insurance database, which now only showed one home emergency claim. It paid Ms C and Mr C £75 compensation to resolve their complaint.

RSA also stated that it had made a business decision to alter the layout of its renewal documentation, which meant that the NCD saving was no longer detailed on the policy schedule. It said, having checked with its pricing department, it was satisfied that the correct NCD discount had been applied to Ms C and Mr R's renewal quote.

Ms C and Mr R were dissatisfied with how RSA had dealt with their complaint. They didn't believe it had adequately addressed their questions or concerns. So, they referred their complaint to our service.

An investigator at our service assessed the evidence. As a result of discussions with RSA it decided to increase the compensation it had paid Ms C and Mr R by £100 and offered to remove all claims that it had recorded from the Claims Underwriting Exchange (CUE).

Our investigator was persuaded that what RSA had offered was fair and reasonable and didn't recommend it take any further action to resolve this complaint. But Ms C and Mr R didn't accept our investigator's view of this complaint and requested 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.

Our service assesses complaints independently within a fair and reasonable remit – we don't act for either a consumer or a business.

Where the information I've got is incomplete, unclear or contradictory, as some of it is here, I must base my decision on the balance of probabilities. I'd like to thank Ms C, Mr R and RSA for the level of detail contained within their submissions. I've read and considered all the information provided and if I haven't specifically referred to a point made it isn't because I haven't considered it. My decision will focus on what I think are the key issues –namely whether RSA acted fairly and reasonably here.

I'm sorry to hear about the difficulties Ms C and Mr R experienced here. I can appreciate why they're upset by what happened. They said they've held insurance for a significant period and hadn't made any changes to their policy or a claim prior 2021. So, I can understand why they want to understand what caused their premium to increase in 2022.

I'd like to make it clear at the outset that I don't have the power to tell a business what its insurance should cost. I would be, in effect determining or telling a business how it should operate – and that's not my role. Within my role I can look at whether RSA has treated Ms C and Mr R fairly.

The first part of Ms C and Mr R's complaint is about the cost of their policy premium increasing by around 65% from 2021 to 2022. So, I'll focus on that issue first.

When considering whether RSA has treated Ms C and Mr R unfairly in relation to the pricing part of their complaint, I'd need to be satisfied that it had unfairly increased the cost of their policy in 2022. I'm not going to look at anything before that period because Ms C and Mr R haven't complained to RSA about the cost of any policies they purchased before 2022.

I'm satisfied the policy sale here was conducted on a non-advised basis. RSA didn't recommend the policy or provide Ms C and Mr R with any advice as its suitability. This

means RSA didn't need to make sure that the policy it sold was suitable for Ms C and Mr R's needs. But it had a responsibility to provide information that was clear, fair and not misleading so they could make an informed decision on whether the policy was suitable.

Having carefully considered the renewal documentation RSA sent Ms C and Mr R, I'm satisfied that the policy premium was broken down clearly to show the cost of each component part of the cover that had been included. I can see that RSA identified the cost of buildings and contents insurance, accidental damage cover and home emergency cover for example.

I'm satisfied that the information RSA provided about the cost of cover enabled Ms C and Mr R to make an informed decision about whether they wished to amend their level of cover or exercise their right to shop around for an alternative or cheaper policy.

I've mentioned that Ms C and Mr R are unhappy that RSA hasn't disclosed information about how it calculates its premiums. While I appreciate why they want this I'm persuaded that the information they're seeking is commercially sensitive.

The insurance market is very competitive. And different insurers calculate premiums in different ways – their assessment of risk can vary too. RSA has told our service that *“there are thousands of different rating steps within the premium calculation so a complete line by line breakdown is not feasible”*.

I accept what RSA has said here because the calculation of a policyholder's premium is dependent on multiple varied factors, which makes it very difficult to break the cost down. And our service wouldn't ask RSA to share its calculations, or other commercially sensitive information, with Ms C and Mr R.

RSA has provided information to our service that persuades me that the premium increase in 2022 was in line with its pricing structure and included changes in inflation and Insurance Premium Tax. It's provided information showing how the price of Ms C and Mr R's policy changed from 2018 to 2022.

RSA has said it calculated the premiums for its policies in line with the risk the customer presents and the cover it provides. And it's also explained that it's pricing since January 2022 has reflected pricing rules that were introduced by the FCA that prevent existing customers from being charged more than new customers.

RSA has confirmed that since the FCA changes were implemented it's developed a new pricing strategy. This strategy has been applied to all policyholders – as well as new customers – and has meant that no customer is treated differently. I'm satisfied that this new pricing structure explains why the cost of policies with RSA have increased overall.

RSA has demonstrated to our service that it priced Ms C and Mr R's policy the same way it would have for any customer in similar circumstances. So, I'm satisfied that Ms C and Mr R weren't charged more than they would have been had they been taking out a policy with RSA for the same level of cover and risk for the first time. I therefore don't think RSA unfairly increased the price of Ms C and Mr R's policy to take advantage of their loyalty.

From what I've seen, I'm satisfied the price RSA charged represented it treating Ms C and Mr R fairly. I don't believe their premium increased because of the incorrectly recorded accidental damage claims.

I can see that Ms C and Mr R have stated that their policy schedule no longer included details of their no claim discount (NCD) premium. So, they weren't sure if they'd received a discount that properly reflected their claims history.

I can understand why this information might have been important to Ms C and Mr R – particularly as they were trying to make sense of a premium increase they weren't expecting. So, I've carefully considered whether RSA applied the appropriate discount in this case.

RSA stated that it had decided to alter the layout of its renewal documentation, which meant that the NCD saving was no longer detailed on the policy schedule. RSA's decision to make changes to the layout is a business decision that it's entitled to make. We're not the regulator of insurers. So, we can't tell a business to change its policy, or to adopt the changes that Ms C and Mr R appear to want here.

RSA said, having checked with its pricing department, it was satisfied that the correct NCD discount had been applied to Ms C and Mr R's renewal quote even though the NCD information wasn't detailed on the documentation they'd received.

The information received from RSA satisfies me that the only impact of a claim on the price of the policy is through the level of NCD discount that's awarded. Here, RSA has shown our service that in 2022 Ms C and Mr R received 7 years NCD. This is the maximum NCD a policyholder can be awarded by RSA. Based on what I've seen, I'm persuaded this resulted in Ms C and Mr R receiving the maximum discount of 25% against their premium.

As Ms C and Mr R's premium was discounted by 25% I'm satisfied that the claims that were initially incorrectly recorded on the renewal policy schedule haven't impacted on that discount.

Based on the available evidence that RSA has provided to this service, I'm satisfied that, while Ms C and Mr R's policy schedule might not have detailed the discount they'd received, their NCD was correctly applied to their policy and premium. And, in the overall circumstances, I'm persuaded that the home emergency claim that Ms C and Mr R made hasn't impacted on their NCD or the pricing of their policy. I'm therefore satisfied that the premium paid by Ms C and Mr R is reasonable and fair.

I'll turn now to Ms C and Mr R's concerns about the claims RSA recorded against their policy.

It's not in dispute that RSA initially recorded 4 accidental claims, which were inaccurate and incorrect. This is clearly set out in the policy renewal documentation that Ms C and Mr R received in 2022.

Ms C and Mr R asked our service to direct RSA to expunge all claims from their claims history and from CUE. I can see that RSA has now done this. It's confirmed to our investigator that *"the claim was removed entirely from CUE"*. It's also amended the date of the claim.

Had RSA not removed the accidental damage claims from CUE, I'd have directed it do so as part of this decision. But I would have concluded it was fair and reasonable to report a claim under the home emergency cover part of Ms C and Mr R's policy. This is because RSA is required to report accurate information about claims. So, it would have been accurate to report that Ms C and Mr R had made a home emergency claim to the CUE database.

As RSA has removed any information relating to Ms C and Mr R's claim from CUE, I'm satisfied it's taken reasonable efforts to correct the incorrect information it initially recorded – albeit after this complaint was referred to our service.

I can also see that, since this complaint was referred to our service, RSA has added an endorsement to Ms C and Mr R's policy, which states:

"This endorsement applies to claims history. The claims dated 19/12/2021, 20/12/2021, 06/01/2022 and 17/12/2021 have been removed from the Claims Underwriting Exchange."

Based on the evidence available, I'm satisfied that RSA has corrected previously inaccurately recorded information about Ms C and Mr R's claim history.

To recognise the distress and inconvenience Ms C and Mr R were caused by what happened, RSA had already paid them £75 compensation. I've seen an email from RSA to Ms C and Mr R confirming that it's now agreed to pay an additional £100 compensation in relation to this part of their complaint. This brings the total compensation to £175.

I've considered whether the total compensation paid adequately reflects the trouble and upset Ms C and Mr R are bound to have felt as a result of what happened. Having done so, I agree with our investigator's view that £175 is a fair amount of compensation. I haven't seen enough evidence to persuade me that a higher award is warranted here. And, overall, I think the amount already paid is in line with our approach in similar scenarios. So, I won't be ordering RSA to pay any more.

Putting things right

As a result of Ms C and Mr R referring their complaint to our service, RSA has now expunged all claims that had been recorded from their claim history and paid a further £100 compensation. So, I'm upholding this complaint in part for that reason. But I'm satisfied that what RSA has done to put matters right is fair and reasonable. It follows that I'm not going to ask it to do anything further to resolve this complaint.

My final decision

My final decision is that I uphold this complaint in part. Royal & Sun Alliance Insurance Limited has already corrected Ms C and Mr R's claims history and paid them an additional £100 compensation. So, I'm not directing it to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C and Mr R to accept or reject my decision before 27 May 2023.

Julie Mitchell
Ombudsman