

The complaint

Mr M is unhappy that Society of Lloyd's increased the price of his premiums for his income protection policy.

What happened

Mr M has an income protection policy. He's unhappy because the price of the premiums increased three times during a year. The monthly premium increased from £65.75 to £165.20. Mr M complained to Society of Lloyd's.

Society of Lloyds's said they were entitled to increase the price of the premiums and highlighted the impact of Covid-19 on the market. Unhappy with Society of Lloyd's response Mr M made a complaint to the Financial Ombudsman Service.

Our investigator looked into what had happened and upheld the complaint. He thought that Society of Lloyd's didn't make it clear enough that there could be unlimited and multiple increases in the price of the premium. He recommended Society of Lloyd's pay Mr M £500 compensation.

Mr M accepted the investigators findings, but Society of Lloyd's didn't. Mr M then said he didn't accept the compensation. He said he wanted Society of Lloyds to reimburse all the increased premiums minus inflation and an additional £5000.

Since then, Society of Lloyd's has since agreed to pay the £500 compensation our investigator recommended. This offer was communicated to Mr M, but he didn't respond. So, the case has been passed to me to make a 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 set out the relevant rules and industry guidelines. I agree those are the relevant considerations in the circumstances of this case.

Mr M said that his insurer shouldn't be able to increase premiums at will and more than once. He didn't think he'd been treated fairly. That's no longer in dispute and I agree the policy documentation ought to have made it clear to Mr M that increases in the premiums could be unlimited and take place at any time.

The key issue for me to decide is whether £500 compensation is fair and reasonable. I think it is because:

- I don't think £5000 compensation would reasonably reflect the distress and inconvenience caused to Mr M.

- I think it would have been upsetting and worrying to face multiple increases in the price of the premiums when Mr M didn't expect it, particularly during a time of uncertainty due to the Covid-19 pandemic. But, I think £500 compensation more fairly reflects the distress and inconvenience caused and Mr M's loss of expectation.
- I've thought about whether I should direct Society of Lloyd's to refund some of Mr M's premiums as he's suggested. Society of Lloyd's was entitled to increase the cost of cover and reduce the benefit. It wasn't made adequately clear from the policy documentation that there could be unlimited changes to the policy benefits. But Mr M still had the benefit of cover and would have been entitled to claim if he needed to. So, I don't think Mr M should get a refund of the increased premiums as I don't think that leads to a fair and reasonable outcome. I think compensation of £500 more fairly reflects what went wrong here rather than a refund of the premiums.

Putting things right

Society of Lloyd's needs to pay Mr M £500 compensation for the distress and inconvenience caused.

My final decision

I'm upholding Mr M's complaint and direct Society of Lloyd's to put things right in the way I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 22 June 2023.

Anna Wilshaw
Ombudsman