

The complaint

Mrs R complains that when she took out her pet insurance policy with Great Lakes Insurance SE she was told the numbers of claims she made would not affect the premium, but Great Lakes is now taking claims into account when calculating the premium and this led to an increase for her.

What happened

Mrs R took out a lifetime pet insurance policy in 2018 to provide cover for her two dogs. The policy has renewed each year since. The policy was underwritten by Great Lakes, which set the amount of premium to be charged.

When Mrs R bought the policy she was told individual claims did not affect the renewal pricing. But in 2022 the decision was made to take into account claims history from the last 12 months when setting the premium at renewal. This meant if Mrs R made any claims it might affect the premium she had to pay the following year.

This change came into effect when Mrs R renewed her policy in February 2023. Her monthly premium increased from 105 to £188.

When Mrs R complained about the increase the response she received explained that:

- a decision had been made to include personal claims history following feedback from customers;
- as she had made claims in the last 12 months, there had been a small impact on the premium;
- but this was not the main reason for the increase - other factors were relevant too, including the pet's breed, age, geographical area and general vet costs;
- the biggest single factor was the increase in age of one of the pets, who was now eight years old.

Mrs R was offered £100 as a goodwill gesture to acknowledge that the new premium had come as a shock to her.

When Mrs R then referred her complaint to this service our investigator said it's for the insurer to decide how much to charge for a policy based on its assessment of the risk. But she agreed that Mrs R should have been given clear information about the potential long term costs implications, and it hadn't been made clear to Mrs R at the point of sale that there could be steep increases in the premium at renewal or a clear explanation of how the policy actually operated.

The investigator said Mrs R was left in a very difficult position and the large increase in premium would have been very upsetting. She recommended that Great Lakes increase the compensation to £500.

Mrs R remains unhappy. She says it isn't fair that the way the premiums are calculated can be changed in this way and £500 doesn't cover the extra she now has to pay.

Great Lakes considers the compensation recommended by the investigator is too high and says at most it would agree to £350.

As no agreement has been reached the complaint has been passed to me to decide.

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.

Mrs R took out a lifetime insurance policy for her two pets. Lifetime policies are usually more expensive as they provide a greater level of cover than standard policies, which only provide cover for a limited time – each condition is covered for 12 months. But there are different considerations around the long-term cost and cover with lifetime policies, as the cost doesn't stay the same throughout and will generally increase each year at renewal. And there's no limit to how high the cost could be.

Mrs R is unhappy with the premium charged for the renewal of her lifetime policy. In particular she's concerned that claims history is now taken into account, which is different from what she was told when she took the policy out.

Insurers are entitled to decide how much to charge for the insurance cover they provide. It's up to them how much they increase their premiums by and it's common for increases to vary from year to year. I don't have the power to tell an insurer how much it should charge. I would in effect be telling a business how it should operate – and that's not my role. So I can't say the cost of Mrs R's policy is too high, she should have been charged less for the policy or that she should be charged less in the future. And the policy terms do allow Great Lakes to change the premium at renewal.

We have previously taken the view that in some circumstances it might not be fair for a business to make changes to a policy like this if they fundamentally change the nature of the cover on offer. But I don't think that is what's happened here.

Great Lakes has evidenced that claims were in fact taken into account when these policies first started, but they were spread across all consumers. That has changed. The difference is that previously they were pooled across customers with similar characteristics, whereas now customers who have more claims are charged more, if claims in the last 12 months indicate an increased risk of future claims. Great Lakes has also explained that this change wasn't the main reason for the increase in Mrs R's premium, which was due to the age of one of the pets.

However, Great Lakes had a responsibility to provide clear, fair and not misleading information to Mrs R when she bought the policy. The relevant rules say it needs to take reasonable steps to provide a customer with *"appropriate information about a policy in good time and in a comprehensible form so that the customer can make an informed decision about the arrangements proposed"*.

Great Lakes didn't make it clear at the point of sale that there can be steep increases to the premium at renewal or explain clearly how the policy actually operated. So the information wasn't clear and, by saying claims would not affect the premium, it was misleading. Customers might expect their premium to increase over time but Mrs R wasn't aware claims would be taken into account when setting premiums. So she didn't understand how the policy would work. For 'lifetime' cover, information about the long-term costs of the policy and how premiums would be calculated would have been important to Mrs R and should have been clear.

But I think it's clear Mrs R wanted lifetime cover for her dogs. Even if Great Lakes had explained things more clearly, it's unlikely she would have been able to find another policy which didn't taken claims into account. While some other providers might not apply claims loading in the same way, claims are almost always a factor in setting premiums. So if she had been given clearer information it's likely she would have gone ahead. And if she had gone elsewhere, it's likely she would have found herself in a similar position eventually.

But the price at renewal has caused Mrs R distress. If she chose the policy thinking claims wouldn't affect the premium, it would be upsetting to find that isn't the case and the premium has increased partly as a result of claims she made. She might reasonably have thought there would be some increase, for example as her dogs got older, but the extent of that increase would have been unexpected and would have been a shock. And while Mrs R can move to another provider if she wishes, that may be difficult with her pet now experiencing an ongoing condition.

I've thought about the impact on Mrs R and I'm satisfied the £500 our investigator recommended is reasonable. I appreciate this may be more than has been awarded in other complaints but every case is considered on its own circumstances. Mrs R has explained the impact this had on her and that she's reduced the level of cover she has in order to make the policy more affordable. Taking into account her particular circumstances I think the amount is fair.

Mrs R says the compensation doesn't cover the extra amount she now has to pay, but it isn't intended to cover that; it's to acknowledge the distress and inconvenience she has been caused.

My final decision

I uphold the complaint and direct Great Lakes Insurance SE to pay compensation of £500 to Mrs R for the distress and inconvenience caused to her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 18 October 2023.

Peter Whiteley
Ombudsman