

The complaint

Mrs L complains that Aviva Insurance Limited (“Aviva”) treated her unfairly with the cost of her home insurance policy over a number of years.

Mrs L’s complaint has been brought by a representative, who I’ll refer to as Mr L.

What happened

Mr L says he was going through Mrs L’s accounts and noticed payments being made to Aviva. Mr L then discovered these were premium payments for home insurance. Mr L says he became concerned when he noticed Mrs L paid £201.34 when she originally took out the policy in 2016 but this had since auto-renewed each year and had more than doubled by 2022. Mr L says he was concerned as this was significantly higher than what he was paying for his own home insurance. And he was particularly concerned as he found the same policy being offered by Aviva for £97.49. Mr L then cancelled the cover and found an alternative policy for £91.14. Mr L also complained to Aviva.

Aviva responded and explained the premiums had been calculated correctly. They said the premiums were in line with general year on year premium changes, which were linked to the rising costs of claims. They accepted they’d failed to log Mr L’s complaints previously, so they offered £150 compensation. During our investigation, Aviva accepted that Mrs L could be classed as being ‘inert’ so they offered to refund the difference between what Mrs L paid for the policy in 2019 and what she paid for it each year after this, together with 8% interest on this payment.

Our investigator looked into things for Mrs L. He thought Aviva’s offer of the premium refund and compensation was reasonable. Mr L disagreed so the matter has come to me for 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.

Having done so, I’ve decided to uphold the complaint. And, I think the investigator’s recommendation here is a fair way to resolve matters. I understand Mr L will be disappointed by this but I’ll explain why I have made this decision.

The role of this service when looking at complaints about insurance pricing isn’t to tell a business what they should charge or to determine a price for the insurance they offer. This is a commercial judgement and for them to decide. But we can look to see whether we agree a consumer has been treated fairly – so is there anything which demonstrates they’ve been treated differently or less favourably. If we think someone has been treated unfairly, we can set out what we think is right to address this unfairness.

I can see Mrs L paid £201.34 when she originally took out the policy in 2016. The premium then increased each year to 2022 when the price was £405.51. It isn't disputed that, after taking out the original policy, the policy then auto-renewed each year and Mrs L didn't engage with Aviva about the cost of her insurance. She isn't someone who regularly shopped around, and it wasn't until Mr L started looking into Mrs L's account that he realised Mrs L could find insurance that meets her needs for significantly less than she was paying before.

When a consumer isn't engaging on the cost of their insurance, either through vulnerability or something else that stops them from doing this, we'd say they are inert. And when looking at complaints brought by inert customers, we expect to see that they've not been treated differently as a result. Aviva say they've followed our service's approach involving inert customers and have taken into consideration the point at which any new business discount had been recouped. Offering a new business discount is something which was common with insurance previously and where customers have had the benefit of a reduced premium when the policy is first taken out, it was fair for an insurer to increase the premium to recoup the discount applied.

In this case, Aviva have fixed the price offered at the 2019 renewal of £315.48 and offered to refund the difference between this and the amount paid for the 2020 and 2021 renewal. This doesn't include the 2022 renewal as, although this was also above the fixed price, Mr L cancelled the policy and Mrs L received a premium refund. I can't see Aviva have demonstrated why Mrs L's price changed as it did from 2019. In the absence of this, I'm not persuaded she wasn't treated differently because of her lack of engagement. And I think she lost out as a result as she wasn't treated fairly. On this basis, I think Aviva's offer to refund the difference in what Mrs L paid for insurance from 2019 onwards until 2021, together with 8% simple interest on this amount, represents a fair and reasonable way to put right the unfairness of Mrs L being treated differently.

I understand Mr L is concerned the policy auto-renewed each year and he questions if there's a limit on the number of times an auto-renewal can apply. I do acknowledge Mr L's concern but it's not uncommon or unusual for insurers to apply an auto-renewal feature to an insurance. Often this is originally selected by a customer, but the key benefit here is that it avoids a situation where a customer might potentially be left without cover should they forget to renew. In this case, Aviva explain Mrs L selected auto-renewal at the point she purchased the insurance. Aviva say, on this basis they'll continue to renew using this method unless they're informed otherwise. I've also looked at the renewal letters sent to Mrs L and, as well as being sent a few weeks in advance of the renewal date, they do explain clearly that the policy will continue to auto-renew. The renewal letters also explain the auto-renewal process and how Mrs L is able to opt out of this process.

Mr L is also concerned that he was able to find an Aviva policy, offering similar cover, for £97.49 – so he feels it was unfair for Aviva to quote £405.51. Aviva say they haven't been able to locate any quotes completed for Mrs L and I can't see Mr L has provided evidence of this quote and whether it was like for like. So, in the absence of this, I can't say Aviva were offering a like for like policy which met Mrs L's needs and was cheaper.

I acknowledge Mr L has provided information which shows he received quotes from other insurers which were cheaper than Aviva's quote. It's for a business to decide what risks they're prepared to cover and how much weight to attach to those risks - different insurers will apply different factors. That's not to say an insurer offering a higher premium has made an error compared to an insurer offering a cheaper premium – but rather, it reflects the different approach they've decided to take to risk.

Aviva accept they got things wrong and acknowledge there was poor service and delay when Mr L spoke with their customer service team on five occasions. They've offered £150 compensation – and I think that's fair and reasonable in the circumstances.

I wish to reassure Mr L I've read and considered everything he has sent in, but if I haven't mentioned a particular point or piece of evidence, it isn't because I haven't seen it or thought about it. It's just that I don't feel I need to reference it to explain my decision. This isn't intended as a discourtesy and is a reflection of the informal nature of our service.

Putting things right

I've taken the view that Aviva have treated Mrs L unfairly by increasing her premium during a period where she wasn't engaging with Aviva about the cost of her insurance. I also think Aviva's offer of compensation is fair and reasonable in the circumstances. So, Aviva should take the following steps to put things right:

- Take the 2019 price for Mrs L's insurance (£315.48) and refund anything paid in excess of this until and including 2021.
- Pay 8% simple interest on the amount paid above. For each policy year premium being refunded, the interest should be applied from the date the premium was paid to the date of settlement. Aviva should provide Mrs L with a certificate showing any taxation deducted.
- Pay compensation of £150 to Mrs L.

My final decision

My final decision is that I uphold the complaint. Aviva Insurance Limited must take the steps in accordance with what I've said under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 29 August 2023.

Paviter Dhaddy
Ombudsman