

The complaint

Mr W has complained about the premiums charged by Zurich Insurance PLC (Zurich) for a home insurance policy.

What happened

Several years ago, Mr W took out a home insurance policy through an insurance intermediary. When the policy renewed in May 2022, the premium changed from £921 to £273. So, Mr W complained to Zurich because he said he had been overcharged for his policy over several years.

When Zurich replied, it said the reasons for the reduction in the premium was that the policy migrated to Zurich from another insurer. The premium charged by the previous insurer was higher than Zurich's new business rate. When the policy renewed in 2022, a procedure was in place to ensure fair pricing, so the renewal premium had been calculated on Zurich's premium rate rather than the previous insurer's historic premium, which had led to the reduced premium.

Mr W complained to this service, as he remained of the view that he had been overcharged. Our investigator didn't uphold the complaint. He said Zurich had treated Mr W in the same way as any customer in similar circumstances, so it had treated him fairly.

As Mr W didn't agree, the complaint was referred to me.

I issued my provisional decision on 21 June 2023. In my provisional decision, I explained the reasons why I was planning to uphold the complaint. I said:

Mr W took out a policy through an insurance intermediary, whose name was on the policy. In 2016, the insurer underwriting the policy changed to Zurich. Zurich decided to base its renewal premiums on the previous insurer's premiums. It told this service, it was to avoid "price shock for the customers". Each year, Zurich continued to calculate the renewal premium based on the previous insurer's premium. In 2022, Zurich decided to review the pricing based on what it would have charged if the customer has just come to them newly. It used its own premium ratings rather than the previous insurers. It said, although this meant Mr W's premium went down, the premiums for some other customers increased. Zurich told this service "...all customers were subject to the same pricing and underwriting methodology, ensuring all were treated fairly and consistently".

The Financial Conduct Authority (FCA) sets out the "Principles for Business" in the FCA Handbook. Principle 6 says "A firm must pay due regard to the interests of its customers and treat them fairly". So, I've thought about whether Zurich has treated Mr W fairly.

When Zurich took over underwriting the policies from the previous insurer, it seemed to do so on the basis that it wouldn't assess the individual circumstances of each customer, but would instead rely on an assumption that the previous insurer's view and price of the risk was broadly in line with its own. In the first year or two, I might think this was fair, as this was Zurich's opportunity to get to know its customers, including Mr W. That timeframe would

have allowed Zurich to assess and apply a risk rating based on its own view of it, along with how it would price that risk. However, Zurich continued to rely on the previous insurers pricing for several years and only changed its approach to these policies when the regulations changed. At that point, Mr W's premium significantly decreased.

I asked Zurich to provide the premiums it would have charged if it applied its own underwriting criteria to Mr W's premiums. Zurich said it was unable to provide this for the first two years, but provided the premiums for more recent years. These were 2018-19 - £260.77, 2019-20 - £256.13, 2020-21 - £272.69, 2021-22 - £274.53 2022-23 - £273.23

Although Zurich has said that if it had charged the premium based on its own underwriting criteria, this would have resulted in a "price shock" for Mr W, I don't accept Mr W was likely to have said it was unwelcome or unfair to charge him a considerably lower premium based on Zurich's own underwriting criteria. I think any "shock" was likely to be a pleasant one for Mr W. This remains the case even if other customers might have been shocked by an increase in their own premiums. This wasn't Mr W's issue to deal with. Based on what I've seen, I don't think I can say Zurich treated Mr W reasonably or fairly as an individual by charging him such high premiums for such a prolonged period.

So, I currently intend to uphold this complaint and to require Zurich, from 2018-19 onwards, to refund Mr W the difference in premiums between what he paid and what Zurich would have charged had it applied its own underwriting criteria without factoring in the previous insurer's premium. It should also pay interest on this amount because Mr W lost use of the money. I think Mr W has also been caused distress and inconvenience by the way Zurich treated him. So, I also intend to say Zurich should pay Mr W £100 compensation.

I asked both parties to send me any more information or evidence they wanted me to look at by 19 July 2023.

Zurich acknowledged receipt of my decision and requested an extension to respond as it wanted to consider its position. It was given an extension but did not provide a response by the deadline.

Mr W confirmed he did not have any further information to provide. He suggested a reference to Mr W in the document should be to Zurich. I should note that I have made this change in the above wording.

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 uphold this complaint and for the reasons given in my provisional decision. Having looked at this complaint again, I have found no reason to change my view on how it should be resolved.

Putting things right

Zurich should refund the difference in premiums from 2018-19 onwards and pay interest on that amount. It should also pay £100 compensation.

My final decision

For the reasons I've given above and in my provisional decision, my final decision is that this complaint is upheld. I require Zurich Insurance PLC to:

- Refund the difference in premiums from 2018-19 onwards.
- Pay 8% simple interest on the amount refunded from the date on which Mr W made each payment to the date on which it pays the refund.
- Pay £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 30 August 2023.

Louise O'Sullivan
Ombudsman