

## **The complaint**

Mrs P complains that British Gas Insurance Limited (BG) increased her home emergency policy premium each year because she was a loyal customer.

The policy was in Mrs P's name and her son, Mr P, acted on her behalf. For ease of reading, I'll simply refer to Mrs P throughout my decision.

## **What happened**

In summary, Mrs P had a Homecare home emergency policy underwritten by BG which provided cover for her boiler, central heating, electrics, plumbing, annual service and unlimited callouts. She'd had the policy since around 2000, and it renewed each year.

In 2023, Mrs P looked online and found that the policy was available at a reduced cost. Mrs P complained to BG because it had never told her other, cheaper policies were available to her, and she said it had overcharged her for years. She asked BG to refund the difference between her actual payments and the premium that should've been available to her.

BG looked into Mrs P's complaint. It paid her £200 in good faith for service shortfalls, but it declined her request for a refund of the difference in premiums. BG explained that because of rising prices across all customer accounts, and because Mrs P had used the service it provided on a number of occasions and throughout the life of the policy, the premium was correct and it hadn't overcharged her.

Mrs P remained unhappy. She said her complaint was not about service shortfalls and she wanted BG to issue the refund she'd asked for. Mrs P brought her complaint to us.

Our investigator didn't uphold Mrs P's complaint. She looked at BG's explanation of the price increase each year, the risk factors, and Mrs P's claim history. Although the premium increased, our investigator didn't think the evidence indicated unreasonable increases, or that BG had treated Mrs P unfairly.

Mrs P didn't agree. She said there were rules about price walking and BG shouldn't charge her more than it would charge new customers. Our investigator explained that the rules didn't apply to renewals retrospectively, but Mrs P remained unhappy and asked for an ombudsman 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.

Having done so, I've decided not to uphold Mrs P's complaint for broadly the same reasons as our investigator. I won't repeat the detail of the complaint here. Instead, I'll focus on the relevant rules, whether BG acted in line with those rules, and whether it treated Mrs P fairly in all the circumstances.

For clarity, I'd like to reassure Mrs P that my consideration of her complaint included all evidence up to and including the emails Mr P sent on 13 December.

Since Mrs P first bought the policy, the rules about information that BG must present to its customers at renewal have changed. Mrs P's claim history also changed. But it should be noted that BG isn't required to backdate the requirements as the rules change.

## **Pricing information**

Mrs P said BG didn't tell her about better prices available. If it had, she would've taken out a different policy. BG said it didn't advise Mrs P which policy to buy, but it did give her the appropriate information to make an informed decision.

The rules around information that must be provided at renewal are set out in Insurance: Conduct of Business (ICOBS). These rules require BG to tell Mrs P that she:

- (i) should check that the level of cover offered by the renewal is appropriate for their needs; and*
- (ii) is able, if they so wish, to compare the prices and levels of cover offered by alternative providers;*

If the renewal is the fourth or subsequent renewal, BG must include the following statement:

*"You have been with us a number of years. You may be able to get the insurance cover you want at a better price if you shop around."*

I've looked at the renewal letters that fall within this obligation and I'm satisfied that they include the required information. Therefore, I can't fairly conclude that BG failed to notify Mrs P that other, possibly better priced policies were available to her.

## **Price increases**

Mrs P said BG didn't make her aware of the price increases. BG provided the renewal documents to show that it included the information required.

Looking again at the renewal documents, I note that BG provided the previous year's premium and the renewal premium for comparison from the date the obligation to do so came into effect. It's not for me to comment on the actual price BG charged – rather it's for me to decide whether it fairly notified Mrs P of the increase, in line with the rules, so that she could make an informed decision.

I'm satisfied that BG included the relevant information on the policy renewals, so I don't uphold this part of Mrs P's complaint.

## **Price walking**

Mrs P complained about price walking – increasing prices just because a customer has been loyal. BG provided evidence of its premium calculation to show that the price wasn't based on loyalty.

There's no dispute that Mrs P's policy premium increased over the years. On some occasions the increase was relatively small, whereas at some renewals the increase was more significant. I've looked at the renewal documents available and the calculations BG provided, and I haven't seen anything to suggest BG increased the premium because of Mrs P's loyalty.

As BG said, the base price for all customers increased, so Mrs P wasn't treated any differently to other customers in respect of that increase. However, BG did increase the premium based on her risk. In the six years between 2016 and 2023, Mrs P made 21 claims. Further, BG also notified Mrs P that because of her boiler's age, and the manufacturer was no longer making the boiler, parts would be difficult to source. The age of the boiler would likely result in more callouts.

This evidence tells me that BG's calculation of the premium was based on the increased risk factors it provided. So, it's more likely than not that Mrs P would've been able to buy the policy for a similar price to that offered to any other customer with a similar claim history. Therefore, I'm satisfied the evidence supports BG's premium increase.

In addition to this, the evidence tells me that Mrs P knew she had the policy, what it provided, and the price. That's because to make the number of claims she did, she must've seen her policy documents and engaged with the process to some degree. So, I can't fairly say BG should've taken additional measures to seek engagement from Mrs P. The evidence indicates that she was not an inert customer in respect of policy engagement, albeit she didn't ask for different products or prices.

I haven't seen anything in the evidence to suggest BG unfairly increased the premium, or that it treated Mrs P unfairly in the circumstances.

## **Excess charge**

It's not clear which policy Mrs P would've wanted instead, but I note she changed to a different policy for two weeks and then moved back to her existing policy.

Mrs P's policy didn't include a claim excess. So, she could make claims under the policy safe in the knowledge that there'd be no additional charges.

I've looked at the other policy available to Mrs P, which she chose for a short time before returning to her original policy. It included a £60 excess/callout charge. While the premium may have been a better price, with the same claim history Mrs P would've incurred additional costs had she moved to that policy.

For example, the 2016/17 renewal price was a little under £550. The 2017/18 renewal was around £80 more. During 2016 and 2017, Mrs P claimed under the policy on nine separate occasions. If she'd been on a policy with lower premiums and a £60 callout charge, she'd have incurred £540 in additional costs over just two years. That amounts to more than the cumulative premium increase from 2014 to 2023.

This tells me that while Mrs P may have been able to move to a better priced policy in respect of the premium, it wouldn't have been a better value product. That's because the

policy may not have given Mrs P the overall service she needed at a better price.

Overall, the evidence suggests that Mrs P paid an increased premium each year based on the increased level of risk, and that BG provided the correct information at each renewal to help her make an informed decision. I'm satisfied that BG met its obligations under the relevant rules, and there's nothing in the evidence to indicate that BG increased the price because Mrs P was a loyal customer. Therefore, I see no reason to ask BG to refund any of the premiums.

### **My final decision**

For the reasons I've given, my final decision is that I don't uphold Mrs P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 12 January 2024.

Debra Vaughan  
**Ombudsman**