

The complaint

Mr F complains about the price quoted by Advantage Insurance Company Limited ("Advantage") to renew his motor insurance policy.

What happened

Mr F received a quote to renew his policy which he says was significantly higher than what he'd paid the previous year. He says he queried this with Advantage and the only explanation they gave was that this was down to inflation. Mr F felt it was unfair for the price to increase to this extent, so he decided not to renew. Mr F says he then found a policy significantly cheaper and complained to Advantage about the renewal price.

Advantage responded and explained they sent Mr F a renewal quote and Mr F then called them a couple of weeks later to discuss the renewal price. They said, during this call, the call handler checked through the policy and then increased the renewal price further. Advantage acknowledged that Mr F then queried the further price increase and the call handler explained that prices are based on real time pricing which means they can fluctuate on a daily basis and a change was also made to Mr F's occupation. Advantage said they offer prices based on real time pricing in order to make them competitive.

Our investigator looked into things for Mr F. He upheld the complaint as he felt Advantage hadn't provided our service with sufficient information to show no error had been made when calculating Mr F's renewal – so he recommended they pay Mr F £100. Advantage 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 is a fair way to resolve matters.

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 Mr F paid a premium of £275.60 for his policy in 2021, followed by £276.45 for his policy in 2022. He was then quoted a price of £544.50 for his 2023 renewal and this then increased to £605.93 after Mr F called Advantage. The first 2023 renewal quote is 97% more than what Mr F paid the year before, and the amended quote is 119% more. So, I understand why Mr F is concerned about the price increase.

When our service looks at complaints about pricing, we'll ask for information from a business to demonstrate why and how a price has increased. What information is considered reasonable will depend on a case by case basis, but insurers generally will provide confidential business sensitive information to explain how a customer's price has been calculated. This might involve evidence of rating factors and loading tables to show, more specifically, which loadings have increased to justify the price increase. Alternatively, it may involve comments from the underwriter to explain the price increase. Generally, and particularly in cases where the price has increased significantly, it's this level of detail that allows our service to check the information and provide a customer with reassurance that there hasn't been a mistake in the calculation and that they've been treated fairly and no different to any other customer in the same circumstances.

Advantage say it wouldn't be incorrect to say the price increase is due to inflation. Advantage say they, like all insurers, are facing rising claim costs which is causing insurance policy prices to increase. Advantage have provided a link to a section of their website which talks about why the price of motor insurance has increased. This refers to a rise in claims costs, and specific factors which have led to insurers having to pay out more in claim costs. I've noted this section says, *"On average, prices across the market are rising by approximately 50% because of the costs we've outlined. However, this is just an average...If your price has gone up more than the average, it could be for a variety of reasons."*

It then lists a number of factors such as accidents/convictions and a change in risk with the vehicle type or location. But I can't see these factors apply to Mr F's circumstances. And in this case, Mr F's renewal is significantly higher than the 50% average referred to in this section. Although Advantage do make it clear this is just an average, given Mr F's price increase, I understand why he remains concerned.

Advantage say the details they entered for Mr F at renewal were the same as what they previously had on the policy, so they say this confirms no changes to the data have been made. I do acknowledge this, but I think this further demonstrates why Mr F is concerned by the price increase. He received a quote 97% higher than what he paid the previous year, it further increased when he made a change to his occupation – and the amended quote was more than double the 50% average increase Advantage refer to on their website. So, in these circumstances and given the facts in this case, I think it's important to have a more persuasive explanation for the price increase than what Advantage have provided.

Advantage also say they issued the renewal invite 28 days prior to the renewal date, and this highlighted the price Mr F paid the year before and that he may find a cheaper policy if he shopped around. I do acknowledge Mr F was sent the renewal invite in sufficient time to allow him to consider his options. In addition to this, I can see Advantage did, in their renewal quote, remind Mr F that he could shop around to see if he could get a better price. It's not clear when Mr F first took out his policy, but if there have been at least four renewals, then section 6.5 of the Insurance Conduct of Business Sourcebook ("ICOBS") requires a business to provide specific wording about the benefits of shopping around. So, I agree Advantage have acted in line with requirements set out under ICOBS. But this information doesn't satisfy me that Advantage have treated Mr F fairly when pricing his policy.

Advantage say they aren't able to provide any further information. They've described how their rating strategy now works – they say all ratings are built into the system and are produced electronically. They say, in this case, the renewal was calculated by the system with no manual intervention. I have carefully considered Advantage's points about how their system works and the information provided. But, in the circumstances of this case, I'm not persuaded there's sufficient evidence to satisfy me the increase is fair.

I do wish to make it clear I'm not saying there has been an error in the pricing calculation. Instead, the reason I'm upholding Mr F's complaint is, given the significant increase in the price, I would need to see evidence and a clear explanation showing why and how the price increased as it did for Mr F's renewal – and in this case, this information hasn't been provided in a way which would allow me to reassure Mr F that there's been no error here. I acknowledge Advantage say Mr F wasn't obligated to accept their quote - and in fact decided not to - so they don't agree there has been any impact on him. But given that Mr F's decision to look for an alternative policy was driven by the price quoted by Advantage, and they haven't provided a sufficient explanation for the price increase, I believe there has been an impact on Mr F - particularly as our service isn't able to provide Mr F with any reassurance about the policy being priced fairly. So, taking this into account, I understand why Mr F was left frustrated and confused by the price increase – and I think compensation of £100 is fair and reasonable in the circumstances.

Putting things right

I've taken the view that Advantage haven't provided sufficient information or a clear explanation to demonstrate why and how Mr F's price increased as it did for his renewal. So Advantage should pay Mr F £100 compensation for the frustration and confusion caused.

My final decision

My final decision is that I uphold the complaint. Advantage Insurance Company 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 Mr F to accept or reject my decision before 26 March 2024.

Paviter Dhaddy
Ombudsman