

The complaint

Mr B complains about the increase in premium for his motor insurance policy with esure Insurance Limited (esure).

References to esure in this decision include their agents.

What happened

In July 2023 Mr B's motor insurance policy with esure renewed automatically. Having many years No Claims Discount (NCD) and not having made a claim, he was unhappy at his premium increasing by 40% (from £241.22 to £337.66). Had he made a claim, or the increase been smaller, he would not have minded. He thought he might be paying more as a loyal customer than new customers.

So he complained to esure. As eight weeks passed from Mr B making his complaint (the time businesses have to consider complaints) esure said he could bring his complaint to this Service. So, Mr B complained to this Service, unhappy at the increase in premium for what he didn't consider a good reason. He'd been affected financially by the increase.

esure then responded to the complaint. They said the renewal offered was correct and based on their current pricing model. They appreciated Mr B's disappointment, given the increase over the previous year, despite no claims having been made. They added insurance was a risk-based product, which meant premiums could fluctuate. esure weren't exempt from external factors affecting other insurers, such as inflation, which had a knock-on impact on the premiums they had been able to offer customers.

They weren't able to provide Mr B with an exact breakdown of how his renewal premium was calculated, as the pricing model was commercially sensitive information. But they said the increase wasn't specific to Mr B nor a personal reflection on him as a driver. It could have been that the increase was driven by factors such as an increase in claims in the area where Mr B lived, which would affect the premiums they could offer all customers in the area.

Mr B confirmed his request his complaint be considered by this Service. Mr B also said he didn't receive the renewal invitation telling him about the premium increase, he noticed the amount being taken from his account. Had he been aware of the increase before the policy renewed, he wouldn't have accepted it, given its significance.

Our investigator upheld the complaint. Mr B's policy had been set up to renew automatically, so esure were able to take the premium from his account (they said he hadn't contacted them before the policy renewed, either to challenge the increase or decide not to renew the policy). But the investigator thought esure couldn't evidence they'd sent the renewal notice, which Mr B said he never received. So he didn't have the opportunity to review the renewal and the premium. While esure weren't able to provide detailed information on the specific reasons for the increase in Mr B's premium within a reasonable timescale due to a backlog, from publicly available information on an insurance price comparison website, this indicated increases in motor insurance premiums across the sector. On balance, it was likely the increase was fair, given that insurers assess risk against industry data for previous years.

Because esure couldn't evidence their issuing Mr B with his renewal notice, the investigator thought they should pay him £100 in compensation.

esure disagreed with the investigator's view and asked an ombudsman to consider the complaint. They provided copies of Mr B's renewal invitation and schedule, which they said they'd issued to him and showed the renewal premium and options if he didn't want to renew his policy.

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.

My role here is to decide whether esure have acted fairly towards Mr B.

The key issue in Mr B's complaint is whether esure acted fairly and reasonably in increasing his premium when it came up for automatic renewal. Mr B says the increase is unjustified given his NCD history and not making any claims. esure haven't provided detailed information to support the premium increase but point to industry-wide factors such as inflation and possible changes in risk factors, such as claims in Mr B's area.

A second issue is that Mr B says he didn't receive his renewal invitation, so he was only aware of the premium increase when the premium was taken from his account. esure have provided copies of the renewal invitation and schedule but haven't evidenced it being sent.

On the first issue, as detailed information on the specific reasons for the increase in Mr B's premium hasn't been provided by esure, then it's not possible to draw a definitive conclusion about whether it was reasonable. However, there has been significant media and public coverage of the general increase in the cost of insurance over the past year or so¹.

For example, the Association of British Insurers (ABI) published an article in August 2023 that stated from their tracker the average increase in premium in the third quarter of 2023 was 29% compared to the same period the previous year. The article cited increases in such things as the cost of vehicle repairs (33% between Quarter One 2022 to Quarter One 2023) and labour cost increases of up to 40%. The average price of motor insurance in Quarter Three 2023 was put at £561 - a record high.

While these figures are averages across the whole sector, the increase in Mr B's premium (from a lower premium than average) isn't significantly out of line with the industry norm for the period concerned. So, while detailed information on Mr B's specific increase isn't available, I can't conclude the increase is clearly unfair and unreasonable.

On the second issue, there is disagreement between esure and Mr B. Mr B says he didn't receive his renewal notice and so wasn't aware of the increase in premium until he noticed the premium was taken from his account. Had he seen his renewal notice, he says he wouldn't have renewed the policy given the size of the increase. esure have provided copies of the renewal invitation and schedule but haven't been able to provide evidence it was sent. It isn't clear how the renewal notice would have been sent, although I have seen an email exchange between Mr B and esure where he raises his complaint and esure responds to the complaint. While this might suggest the renewal invitation would have been sent by email,

¹ For example, an article in *The Times* on 10 February 2024, referring to an average across the board increase of 33% in car insurance premiums between 2022 and 2023.

esure haven't been able to provide confirmation – such as a system screenshot or other confirmation – that it was sent.

In the absence of such confirmation, I can't conclude Mr B had the opportunity to consider his renewal notice and whether he wanted to renew his policy on the terms offered, including the increased premium. So, I've concluded esure haven't been able to show they've acted fairly and reasonably.

Given that conclusion, I've considered what esure need to do to put things right. As Mr B didn't have the opportunity to consider whether to renew his policy before it automatically renewed, I think he experienced a loss of opportunity, causing him some distress. However, even if he had received his renewal invitation and decided not to renew his policy, given the general market increase in car insurance premiums referred to above, and taken out a new policy elsewhere, I think it reasonable to conclude he would have been likely to have seen an increase in his premium compared to the previous year.

And taking up Mr B's point he thinks he may have been charged more for being a loyal customer, rather than a new customer, under rules introduced by the Financial Conduct Authority from 1 January 2022 insurers must ensure that the price paid by renewing customers for motor and home insurance is no greater than the price charged to an equivalent new customer for the equivalent policy bought through the same distribution channel, including insurer, broker or price comparison website. I've seen nothing in this case to suggest this wasn't the case with Mr B's renewal.

Taking all these circumstances and factors into account, I think £50 compensation for Mr B would be fair and reasonable for the loss of opportunity.

My final decision

For the reasons set out above, it's my final decision to uphold Mr B's complaint. I require esure Insurance Limited to:

- Pay Mr B £50 compensation for loss of opportunity.

esure Insurance Limited must pay the compensation within 28 days of the date on which we tell them Mr B accepts my final decision. If they pay later than this they must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 2 April 2024.

Paul King
Ombudsman