

## **The complaint**

Mr C has complained about the increase in premiums charged by Aviva Insurance Limited ('Aviva') in relation to his home insurance policy.

## **What happened**

Mr C was unhappy that his home insurance had increased from just over £300 to £360 in 2023, which he considered to be well in excess of the rate of inflation. He complained to Aviva as his home insurer at the relevant time. However, Aviva was not prepared to reduce the premium.

Mr C was unhappy with Aviva's response, and he referred his complaint to this service. The relevant investigator did not uphold Mr C's complaint. He said that the price a business sets for its insurance is generally a commercial decision with which the service will not seek to interfere. He said that the service could nevertheless check that a premium had been applied fairly and that no mistakes had been made. The investigator stated that Aviva had provided relevant underwriting and pricing information, to include details of all factors which had gone into calculating the relevant premium. He then cross-referenced this information with Mr C's premium breakdown and in his view, the premium had been calculated correctly.

Mr C was unhappy with the outcome of his complaint and the matter was referred to me to make a final decision in my role as Ombudsman.

## **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.

I've also considered the submissions of the parties as summarised below. Having done so, I can't say that Aviva has acted in an unfair or unreasonable manner, and I'll explain the reasoning for this final decision.

I turn firstly to Mr C's submissions. He complained that his home insurance premiums had increased by over 17% when he said that the accepted rate of inflation was 6.7%. He said that he had maintained insurance with Aviva for 20 years, and he had never made a claim. He felt that every year, Aviva had made changes to its policy booklet, adding more and more reasons for customer not to be able to make a claim. He thought that over a long period, the range of what was originally on offer had been reduced by deception. He also felt that the costly customer protection system was obviously not working. In summary, he was unhappy that Aviva refused to negotiate a revised lower premium rate. Aviva was not prepared to reduce it, whereas one of Mr C's other insurance providers had been willing to do so.

In terms of Aviva's service, Mr C also felt that Aviva had refused to reply to a letter that he had sent in September 2023. He also complained about a lack of correspondence etiquette, and he questioned the company's five-star rating. He found Aviva's renewal invitation to be insulting and aggravating. He considered that 'shopping around' for the best price was virtually impossible for elderly people who had not been brought up in the world of modern

technology, as *'virtually every business works on-line only'*. He felt that he was forced to stay with the same supplier and treated with disdain by a business which he was obliged to use.

I now turn to Aviva's submissions regarding the matter. It said it had checked the policy details and, based on its current rates of insurance, confirmed that this was the best premium it could offer for the year. It explained that its pricing structure contained business-sensitive information, and therefore it could not openly share all data. However, it said that its prices were influenced by many different rating factors, *'both by what's happening in the world and external market, as well as factors which are unique to you.'* It said that these included the cost of claims, the nature of claims, weather events and legislative changes. Prices were therefore influenced by what was happening in the world and external market.

As to the letter sent by Mr C in September 2023 to which Mr C did not receive a reply, in its final response, Aviva stated that it had searched its records but could not find any letter. It apologised for this, however said that if it was regarding something which it had not covered in its final response then Mr C should let it know.

I now turn to my reasoning for not upholding Mr C's complaint in this instance. I understand Mr C's concern and disappointment that his home insurance premiums had increased significantly and by an amount which exceeds inflation.

To provide some context to this, insurance premiums are not simply determined in accordance with inflation. The level of insured risks changes continually, and the appetite of insurance companies to cover those risks will also change. By example only, storm, flood or subsidence events in a particular region together with an increase in claims for such events, can significantly affect the approach of some insurance companies. As an insurance policy is a contract between the insurer and policyholder, the policyholder is free to accept or reject the terms being offered.

In summary, insurers will assess and treat risks differently and will charge different premiums based on their assessment of risks. One insurer may decide it is willing to take a significant risk insuring a particular property, whereas another insurer might not, and there will be different factors and reasons for each insurer's decision. They are entitled to price their product accordingly at each renewal, in line with their assessment of risk, their business costs, and an element of profit.

In this case, I have studied the rating factors and calculations which Aviva used to calculate Mr C's insurance premiums in 2023, and there is no evidence to show that it applied these in an unfair or unreasonable manner or treated Mr C differently to any other customer in the same or similar circumstances. There is also no evidence to indicate that Aviva may have been seeking to take advantage of Mr C because of his loyalty over 20 years. I consider that Aviva has demonstrated that there were justified reasons for this increase.

I note that Aviva has also included standard wording in its renewal documents, to advise customers to check that the policy cover still meets their needs, as Mr C had remained with Aviva for many years. It also advised that cover may be available at a better price if the customer shopped around, and I consider that it acted fairly and reasonably in this respect.

I also cannot say that Mr C has been prevented from negotiating cover with alternative insurers. Mr C says that his unfamiliarity with modern technology means that he is tied in with Aviva on an on-going basis. This is not the case as insurance companies will provide insurance quotes and transact over the phone or in writing. Alternatively, Mr C would be free to engage the services of a broker to find the most suitable quote on his behalf. Mr C is clearly eloquent and willing to ensure engagement, so I am satisfied that he was not significantly disadvantaged by his wish to correspond via the post.

As for the service issues raised by Mr C, I note that a copy of Mr C's letter to Aviva dated September 2023 was sent to this service's offices. It is not clear why delivery of this letter to Aviva was not successful, and I am unable to make a formal finding that this was due to any failure of Aviva's part. However, having carefully read the contents of Mr C's September letter, it raises Mr C's fundamental complaint issues to which Aviva responded in its final response in October 2023.

I appreciate that this final decision will come as a great disappointment to Mr C. However, having given the matter very careful consideration, I can't say that Aviva has treated Mr C in an unfair or unreasonable manner, I do not therefore uphold Mr C's complaint.

### **My final decision**

For the reasons given above, I don't intend to uphold Mr C's complaint and I don't require Aviva Insurance Limited ('Aviva') to do any more in response to his complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 13 March 2024.

Claire Jones  
**Ombudsman**