

The complaint

Mr G complains about the increase in premium for his caravan insurance policy with Aviva Insurance Limited.

References to Aviva in this decision include their agents.

What happened

In October 2023 Mr G's caravan insurance policy with Aviva came up for renewal. The premium increased from a total of £148.04 the previous year (a basic premium of £140.57, less a 25% discount, plus Insurance Premium Tax at 12% and an administration fee of £30) to a total of £194.06 (a basic premium of £146.49 plus Insurance Premium Tax at 12% and an administration fee of £30.00).

Mr G challenged the increase as he hadn't made any claims during the previous year and the value of his caravan had decreased. He'd obtained a 25% discount on his premium at renewal the previous year, but this wasn't applied to his renewal premium. He also said he'd obtained a cheaper quote online, as a new customer, which he thought was against Financial Conduct Authority (FCA) regulations about existing customers not being unfairly treated compared to new customers. He was also unhappy Aviva's offices weren't open at the weekend and as he worked Monday to Friday, he wasn't able to contact Aviva about the premium increase (the renewal date of his policy fell on a weekend).

Aviva treated his challenge as a complaint, but they didn't uphold it. In their final response they said Mr G called them at renewal the previous year and the call handler applied a 25% discount, reducing the premium to £148.08. In 2023, Aviva sent Mr G a renewal notice in late September, including the premium of £194.06. The notice also stated the potential reason for the increase, a significant increase in caravan thefts in the previous twelve months. The notice also advised if Mr G could find the same cover and terms cheaper elsewhere within 14 days of renewing the policy, Aviva would refund the difference. If Mr G had wanted to discuss the renewal, including the increased premium, he could have contacted Aviva (through an online contact form, or via email, which they would have responded to within 24 hours) and they would have considered whether any discounts were available.

On Mr G's point about obtaining a cheaper quote as a new customer, Aviva said they'd obtained a quote for a new policy with the same details and cover requirements, and this provided the same premium quote (£194.06) as the renewal premium. So, they hadn't breached FCA regulations.

Mr G then complained to this Service. He said the renewal premium for his policy was more than it would have been as a new policy, contrary to FCA rules. In the previous year he'd had a 25% discount, but this wasn't applied at renewal. He thought if he'd called Aviva they would have applied the discount, but they should have given him their best price. There was no way of contacting them over a weekend when the renewal of his policy fell. Aviva said he could have contacted them by email – but this wasn't included in the renewal invitation. He'd been affected financially by paying more than he would were he a new customer. He wanted Aviva to review his premium and apply the discount they'd applied the previous year.

Our investigator didn't uphold the complaint, concluding Aviva didn't need to take any action. From what she'd seen from the information provided by Aviva about the criteria used to determine the renewal premium, they'd acted fairly in respect of the renewal premium and hadn't treated Mr G differently to other consumers.

Mr G could have contacted Aviva in different ways, online, email or letter as an alternative to phoning them. On the discount not being applied to his 2023 renewal premium, Aviva weren't under any obligation to offer it. On the point about being offered a cheaper quote as a new customer, Mr G hadn't provided evidence to support his view - but Aviva had included in their final response a quote showing the same premium as a new customer.

On whether Aviva had complied with the Consumer Duty, the investigator thought the policy offered to Mr G broadly provided the range and scope of cover a caravan policy should provide, so competitive with similar products in the market. There wasn't anything in terms of limitations or omissions that would question the overall benefits and value of the policy.

Mr G disagreed with the investigator's view and asked an ombudsman to consider the complaint. On the Consumer Duty, he thought he should have been given a good – rather than fair – outcome. On the price and value aspect of the Consumer Duty, he thought Aviva should have given their best price at the outset, rather than the customer having to contact them to try and get a better price. Not applying the same 25% discount at renewal caused inconvenience and disadvantaged those customers who allowed a policy to renew without checking current market prices. He questioned whether the policy met his needs at a fair price – the third element of Consumer Duty. He also questioned whether – again under Consumer Duty - he was able to get the appropriate support from Aviva during the weekend the policy was due to renew.

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 Aviva have acted fairly towards Mr G.

The key issue in Mr G's complaint is whether Aviva acted fairly and reasonably in increasing his premium when it came up for renewal. Mr G says Aviva should have applied the same 25% discount as they applied at renewal the previous year. He also says he wasn't able to contact Aviva to discuss the renewal as their offices weren't open at weekends and that he obtained a comparable quote as a new customer that was less than his renewal premium (so breaching FCA regulations). He also questions whether Aviva have met the requirements of the Consumer Duty in a number of aspects.

Aviva say they provided a renewal invitation a month before the renewal date and Mr G could have contacted them (either by phone or email to discuss the renewal, including the premium). They cite an increase in caravan thefts over the last year (set out in the renewal invitation) as a potential reason for the increase in premium. And they wouldn't automatically apply the same discount on renewal – but could have discussed the possibility of a discount had Mr G contacted them. They also say they would have quoted the same premium for a new customer as they quoted Mr G in his renewal notice.

On the issue of the increase in premium, looking at the breakdown of the overall premium for the two years, the increase in the basic premium is relatively small (£140.57 to £146.49 being 4.2%). In their renewal invitation, Aviva point to an increase in theft of caravans over

the previous twelve months. I've also seen the underwriting information provided by Aviva showing the way they assessed risk and calculated the premiums in both years.

Having reviewed the information, I'm satisfied Aviva have calculated the 2023 renewal premium in line with their risk assessment and pricing approach, so I can't conclude they've acted unfairly or unreasonably.

Based on these factors, I don't think the increase is unreasonable. As the Administration Fee and Insurance Premium Tax rate are unchanged, the main factor behind the overall increase is the absence of the 25% discount in 2023.

Turning to this issue, Mr G says it should have been applied automatically to his 2023 renewal premium. Looking at what happened, it appears the discount was applied when Mr G contacted Aviva at the time of his policy renewal in 2022. But application of the discount was at Aviva's discretion at that time – but didn't place an obligation on them to continue the discount into the future. Looking at the 2023 renewal notice sent to Mr G, it sets out the premium and the premium the previous year. The latter reference includes (in bold) reference to the 2022 cost including the 25% discount. As there's no mention of the same discount applied to the 2023 premium, I think it would have been reasonable for Mr G to conclude the discount hadn't been applied.

In those circumstances, as Mr G received the renewal invitation some four weeks before the policy was due to [automatically] renew, I think he would have had the opportunity to contact Aviva to discuss the renewal premium and explore whether a discount could be applied to the 2023 renewal premium (or other change to the cover that might reduce the premium). Which is what it appears he did in 2022.

Mr G says he works Mondays to Fridays and because Aviva's opening hours don't include the weekends, then he wasn't able to contact them. However, the renewal notice includes a link to how to contact Aviva, which includes email and by letter (as well as by post). So, there were options for Mr G in the four weeks between receiving the renewal invitation and the policy renewing. Taking these points together, I've concluded Mr G had reasonable opportunity to contact Aviva before the policy renewed.

On the point about Mr G obtaining a quote as a new customer that had a lower premium than he was offered as an existing customer on renewal, I've not seen any evidence to support this view. Aviva provided details of a new quote in their final response which indicated the same premium as that offered to Mr G. Given this, I can't conclude Mr G was treated less favourably as an existing customer than a new customer would have been.

As Mr G has raised the issue of whether Aviva have met the requirements of the Consumer Duty, I've considered this in the specific circumstances of this case. Under the Duty, firms should act to deliver good outcomes for customers (the Consumer Principle, as Mr G notes). They should act in good faith, avoid foreseeable harm, and enable and support retail customers to pursue their financial objectives (the Cross-cutting Rules). Consumers should receive the support they need, when they need it, communications they understand, and products and services that meet their needs and offer fair value. However, the Duty doesn't remove consumers' responsibility for their choices and decisions but does require firms to enable and empower them to exercise this responsibility (the four outcomes).

I've considered this further against the four outcomes (products and services; price and value; consumer understanding; and consumer support). Of the four outcomes, I think the second, third and fourth are relevant in this case.

On price and value, I've kept in mind there should be a relationship between price and value. When looking into the price (the premium) charged by Aviva, I've also considered the benefits provided and whether the policy offered Mr G fair value. Looking at Mr G's policy, I can see it provides cover against a range of perils, including theft (the factor cited by Aviva for the premium increase). I've also noted fair value measures data (for motor insurance policies as a whole) indicating insurers accept some 99% of claims made by policyholders, so policies (including Mr G's policy) provides cover when he might need it, so giving him piece of mind.

I appreciate Mr G is concerned about the increase in premium, but I haven't seen any evidence the policy and price Mr G was offered isn't comparable with similar products across the market. And the cover and benefits provided by Aviva are broadly consistent with what I would expect to see from such a policy. So, from the information I've taken into consideration, I can't say Aviva haven't met their obligation to offer fair value to Mr G.

On consumer understanding, insurers have a duty to give consumers the information they need at the right time and in a way they understand, so they can make good financial decisions. In the circumstances of this case, Aviva issued a renewal invitation four weeks before the policy was due to renew, giving Mr G reasonable time to consider what was being offered and – should he have wished – to compare it with other policies and prices that might be available from other insurers. The invitation set out clearly the new premium and how it compared to the previous year's premium (and that the latter included the 25% discount). The invitation also included a reason for the increase in premium, so I think the information in the renewal was understandable.

On consumer support, insurers should support their customers in making use of their policy without unreasonable barriers. As I've set out above when considering Mr G's point about Aviva's offices not being open at the weekends, when his policy was due to renew, there were alternative ways he could have contacted Aviva to discuss his renewal, including the premium and whether they might have been able to offer a discount or other change to the policy that might have reduced the premium. The hours Aviva's are open (for telephone contacts) are an operational issue for Aviva in the way they organise their business – it isn't something that falls within the remit of this Service. So, I don't think this presented an unreasonable barrier to Mr G, given Mr G had four weeks from receiving his renewal invitation to the policy renewing.

Taking all these circumstances and factors into account, I've concluded Aviva have acted fairly and reasonably in the circumstances of Mr G's case, so I won't be asking them to take any further action.

My final decision

For the reasons set out above, it's my final decision not to uphold Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 27 May 2024.

Paul King
Ombudsman