

The complaint

Ms C complains about the price quoted by U K Insurance Limited (“UKI”) to renew her motor insurance policy.

What happened

Ms C received a quote to renew her policy for 2024 which was higher than what she’d paid the previous year. Ms C contacted UKI and complained about the price increase and about a fault claim from 2020 which was showing on her policy which Ms C says she knew nothing about.

UKI responded and explained the renewal price was the best price they were able to offer. They explained increases can be driven by claims costs and other factors can contribute towards this which are commercially sensitive, meaning these won’t be disclosed to customers. In relation to the claim, they said their claims department had tried to contact Ms C multiple times between 2020 and 2021 by phone, letter, email and text message to make Ms C aware of a claim which had been made by a third party.

Our investigator looked into things for Ms C. She thought UKI hadn’t treated Ms C unfairly in relation to the pricing and that they’d acted fairly in treating the 2020 incident as a fault claim. Ms C 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 not to uphold the complaint. I understand Ms C will be disappointed by this but I’ll explain why I have made this decision.

Pricing

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 Ms C paid a total premium of £416.81 for her policy in 2022 and she says her premium for her 2023 policy was similar. I can see Ms C then received a quote for £1,175.04 to renew her policy in 2024. Given the significant increase in price, I do understand why Ms C is concerned. UKI have provided me with confidential business sensitive information to explain how Ms C’s renewal price was calculated. I’m afraid I can’t share this with her because it’s commercially sensitive, but I’ve checked it carefully. And I’m satisfied the price she was quoted has been calculated correctly and fairly and I’ve seen no evidence that other UKI customers in Ms C’s position will have been charged a lower premium.

I think it's important for me to clarify, while I acknowledge there was a significant increase in the price of Ms C's 2024 renewal when compared to the 2023 price, it appears there was an error made by UKI when calculating a price for the 2023 policy. UKI have provided information which shows Ms C's policy was migrated from a legacy system in 2022. UKI have shown there was a system error which meant the price Ms C received for her 2023 policy matched the price of her 2022 policy. UKI have also provided information which shows the price Ms C should've been charged was more than double what she paid for her 2023 policy. The policy was then rated and priced correctly in 2024. So, while I acknowledge the 2024 price shows a significant increase from the 2023 price, this was down to a system error which led to Ms C receiving a lower price for her 2023 policy than she would've done had the system error not occurred.

As mentioned above, I can't provide specific detail about UKI's risk model, but I have seen the rating factors and loadings which were used to calculate a price for Ms C's renewal – and I can't say UKI have treated Ms C unfairly here. I say this because these rating factors all relate to the presentation of risk, and they are the rating factors I would expect to see when an insurer is assessing risk for a motor policy. I can't say there are any rating factors here which are unusual, uncommon or unfair, so I can't say UKI have acted unreasonably here. This forms part of UKI's pricing model so it applies to all policies. I think that's important here as it demonstrates the pricing model used to rate Ms C's policy and calculate a price was no different to what was used for any other customer in the same circumstances.

I acknowledge Ms C feels the price increase is unfair, but it's for a business to decide what risks they're prepared to cover and how much weight to attach to those risks - different insurers will apply different factors. That's not to say an insurer offering a higher premium has made an error compared to an insurer offering a cheaper premium – but rather, it reflects the different approach they've decided to take to risk.

In addition to this, I've seen from correspondence sent to Ms C, UKI did remind Ms C that she could shop around to see if she could get a better price. As there have been at least four renewals, then section 6.5 of the Insurance Conduct of Business Sourcebook ("ICOB5") requires a business to provide specific wording about the benefits of shopping around. So, as well as treating Ms C fairly, I think UKI also acted in line with requirements set out under ICOB5.

Disputed claim in 2020

The information shows Ms C called UKI following receipt of her renewal quote to raise a concern about the documents showing a record of a fault claim made in 2020. Ms C explained this must be an error and she wasn't involved in any incident at the time.

UKI have provided information which shows a third party did notify them of a claim in October 2020. I can see UKI then tried to contact Ms C by phone but were unsuccessful. UKI followed this up with a letter to Ms C which explained a claim had been made in relation to an alleged incident involving her car. UKI said they had no record of this and asked Ms C to call them as soon as possible to enable them to protect her interests. Case notes provided by UKI show they did manage to speak with Ms C, and she disputed being involved in the incident. UKI then contacted the third-party insurer to dispute the claim and also asked for evidence of Ms C's car being involved. They also asked Ms C to provide photos of her car as proof that there was no damage to her car.

Over the next few months, UKI continued to send Ms C updates about the claim and also requested further information from the third-party insurer. The case notes show UKI did then receive evidence, in the form of photos and a handwritten note, from the third-party insurer.

And, following legal proceedings being issued on behalf of the third party, UKI settled the claim. Taking this into account, I can't say UKI didn't notify Ms C of this claim. The information shows UKI made Ms C aware of the claim as soon as the claim was reported to them by the third-party insurer, they spoke with Ms C to get her account of the event and kept Ms C updated about the claim.

I acknowledge Ms C is concerned about a fault claim showing on her policy, but the information shows UKI did originally defend the claim following Ms C's account that she wasn't involved. I think this was reasonable in the circumstances as the third-party insurer hadn't at this point provided any evidence of Ms C's involvement. But, following receipt of evidence, and with court proceedings having been issued, I don't think UKI acted unfairly in deciding to settle this as a fault claim given that they didn't have any persuasive evidence to challenge the third-party's claim.

I acknowledge Ms C is concerned about the price increase and she believes she hasn't been treated fairly. I fully understand why, on this basis, Ms C has complained, and I hope she feels reassured that I've checked the pricing information from UKI. But I can't say they've made a mistake in how they've rated Ms C's policy or otherwise treated her unfairly. I wish to reassure Ms C I've read and considered everything she has sent in, but if I haven't mentioned a particular point or piece of evidence, it isn't because I haven't seen it or thought about it. It's just that I don't feel I need to reference it to explain my decision. This isn't intended as a discourtesy and is a reflection of the informal nature of our service.

My final decision

For the reasons I have given, it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 14 June 2024.

Paviter Dhaddy
Ombudsman