

## **The complaint**

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

## **What happened**

Mr M had a policy with Advantage, and he says he didn’t realise it had renewed, at a significantly higher price, until he was notified of the direct debit by his bank. Mr M says he contacted Advantage to query the reason for the increase, particularly as he hadn’t made any claims and there weren’t any changes to his circumstances. Mr M says Advantage weren’t able to give him any reasons, so he cancelled his policy as he’d found a cheaper policy. Mr M then complained about the price and about cancellation charges which were applied.

Advantage responded and explained they sent a renewal invite to Mr M by email as this was his preferred method of communication. They said it then renewed automatically. Advantage explained Mr M then contacted them to discuss the renewal price and they were able to offer a revised price, but Mr M decided to cancel his policy. Advantage said, given the cancellation was within the cooling off period, they didn’t charge a cancellation fee, but all other charges applied were correct. In relation to the pricing, Advantage said the price was calculated based on the details Mr M provided.

Our investigator looked into things for Mr M. 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 M’s renewal – so he recommended they pay Mr M £200. Mr M agreed but Advantage haven’t responded 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.

### *Renewal and cancellation*

I can see a renewal invite was sent to Mr M on 4 August 2023 informing him that his policy was set to automatically renew and would do so on 2 September 2023.

Mr M says this email went into his ‘junk folder’ so he didn’t see this at the time or at any point prior to his policy renewing. I acknowledge Mr M might not have seen this, but I can’t say Advantage have made an error here in renewing the policy. The renewal was sent to Mr M at least 21 days prior to his renewal date – which is in line with the policy terms and conditions. And, having not heard back from Mr M to decline the invite, the policy automatically renewed – which is what Advantage said would happen in their renewal invite.

Mr M then decided to cancel the policy and I can see he's complaining about the charges applied by Advantage. The information shows he was charged a total of £73.23 which was made up of £41.66 premium for time on cover, £11.57 interest and £20 set-up fee. The policy terms and conditions say Mr M can cancel his policy and, if this is done within the cooling off period, it won't generate a cancellation fee. It does go further to say Mr M will though be responsible for time on cover and any non-refundable fees. So, I can't say Advantage have acted unfairly here in charging the cancellation fees, or in the amount they've charged.

### *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 Mr M paid £810.77 for his policy in 2022 and he was then quoted £1,370.76 for his renewal in 2023. This is 69% more than what Mr M paid the previous year, and I can also see Mr M then took out a policy with an alternative insurer and he was charged £672.96. So I understand why Mr M is concerned about the price increase.

I do appreciate Mr M will want to know more detail around what specific factors have led to the premium increase and he was left frustrated at not receiving a response to his questions about the specific factors which have contributed to the increase. Pricing is an area where the information which sits behind an insurer's explanation will often be commercially sensitive. So, I don't think Advantage have acted unreasonably in not providing Mr M with details of the specific ratings.

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. 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.

In this case, Advantage have 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 say this because, in the circumstances of this case, the explanation provided by Advantage doesn't provide sufficient information or an explanation for the price increase. In this case the price increase is significant. So, in view of this, I would need to see evidence of the rating factors and loadings to determine how these have affected the price to the extent they have. Advantage say they aren't able to provide any further information, so I've based my decision on the information I do have. And as mentioned, I'm not satisfied sufficient information has been provided to explain the significant price increase.

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 M'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 M's renewal – and in this case, this information hasn't been provided in a way which would allow me to reassure Mr M that there's been no error here. So, taking this into account, I understand why Mr M was left frustrated and confused by the price increase. And I can see this also led to Mr M cancelling his insurance. Taking into account the impact on Mr M, I think compensation of £200 is fair and reasonable in the circumstances.

I do acknowledge that, when Mr M called Advantage to discuss his renewal price, they were able to offer a reduced price. This was still higher than the price Mr M found with an alternative insurer, but the information shows Advantage were able to reduce the price as a result of updating some details about Mr M. So, I'm satisfied here that the change in price was as a result of Advantage re-rating the policy based on changes in Mr M's details rather than Advantage having made an error in their original renewal quote.

### **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 M's price increased as it did for his renewal. So Advantage should pay Mr M £200 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 M to accept or reject my decision before 4 June 2024.

Paviter Dhaddy  
**Ombudsman**