

## **The complaint**

Mr K complains about the price charged by U K Insurance Limited (“UKI”) for his motor insurance policy.

## **What happened**

Mr K took out a policy online as a new business customer for a price of £1,589.35. He says the price was significantly more than what he’d paid the previous year, so he called UKI to complain. Mr K says, during the call, UKI weren’t able to explain how they reached this price. He says he asked for the pricing data used to calculate the price, but UKI declined this on the basis it was commercially sensitive. Mr K says he has been driving for 12 years, had no accidents in the last five years, no criminal convictions or points, and drives a car that isn’t considered expensive – so he’s concerned about the price he has been charged. Mr K questions whether his name or ethnicity has played a part in the price.

UKI responded and explained there hadn’t been any discrimination as the price had been based on rating factors and they couldn’t disclose the pricing data to Mr K as it was commercially sensitive.

Our investigator looked into things for Mr K. She thought UKI hadn’t treated Mr K unfairly in relation to the pricing and there was no evidence of discriminatory pricing. Mr K 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 Mr K will be disappointed by this but I’ll explain why I have made this decision.

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 acknowledge Mr K asked UKI for their pricing data, and I appreciate Mr K 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 UKI have acted unreasonably in not providing Mr K with details of the specific ratings and loadings used to calculate the price.

I acknowledge Mr K says he paid a premium of around £600 in 2022, but he was then charged £1,589.35 for a new business policy with UKI in 2023. This is around 165% more than what he'd paid the previous year, so I do understand why Mr K is concerned. UKI have provided me with confidential business sensitive information to explain how Mr K's policy price was calculated. I'm afraid I can't share this with him because it's commercially sensitive, but I've checked it carefully. And I'm satisfied the price he was charged has been calculated correctly and fairly and I've seen no evidence that other UKI customers in Mr K's position will have been charged a lower premium.

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 Mr K's policy – and I can't say UKI have treated Mr K 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 Mr K's policy and calculate a price was no different to what was used for any other customer in the same circumstances.

I acknowledge Mr K has raised concerns about whether he has been subject to discriminatory pricing and, in particular, whether his name and ethnicity has been used as factors which have affected the price. Mr K has referred our service to an article which followed an investigation into whether an 'ethnicity penalty' existed in insurance pricing. UKI have confirmed they don't ask for, or collect, any ethnicity data from their customers, so the ethnicity of a customer cannot impact on the policy price. Given that UKI don't use any information on ethnicity when building their risk model, I can't say Mr K has been treated unfairly or differently based on his ethnicity. And, I've also seen no evidence that the policy was rated based on Mr K's name.

That said, and given that I can see one factor which had an impact on the price was Mr K's postcode, I've considered this point in further detail. I can see our service has explored this with UKI and asked for detailed information on the steps they've taken to ensure Mr K hasn't been treated unfairly. UKI have provided information showing how the postcode information has been rated and, more specifically, the underwriting risk that has been taken into consideration. And based on this, I can't say UKI have treated Mr K unfairly or in a way which is different to any other customer.

I acknowledge Mr K has described how he believes our service should investigate this complaint to determine whether there has been discriminatory pricing. Mr K says our service should be comparing like for like policies that UKI have charged other customers with a similar risk profile, but different name. I don't believe that's necessary in the circumstances of this complaint as I've seen the pricing information which is specific to Mr K's risk profile, UKI's pricing model and detailed information on specific rating factors and what they were based on, to ensure there hadn't been any discriminatory pricing. And I'm therefore satisfied Mr K hasn't been treated differently to other customers in similar circumstances.

I do acknowledge Mr K's concern about the price, particularly when making a comparison with the premium he paid the previous year. But I think it's important to mention that it has been widely publicised over the last year that the price of motor insurance has increased due to claims inflation and insurers facing rising costs in settling claims – and this includes the cost of used cars going up as well as parts and materials. I do understand Mr K is concerned that, despite his driving history – which includes no claims in the last five years and no criminal convictions or points – his price has increased significantly. But driving history isn't the only factor which is taken into consideration by UKI. And as mentioned above, they've rated Mr K's policy on a range of factors – all of which relate to the presentation of risk.

I can see from case notes provided by UKI, Mr K, when he called UKI to complain, raised a concern about them not following the Consumer Duty principle. The Consumer Duty applies to open products and services from 31 July 2023. Given Mr K's price was calculated after this date, I've looked into this further and I've considered the 'Price and value' outcome as I believe that is what is relevant to Mr K's concerns. I think it's important to add, this isn't a price-setting rule. The Financial Conduct Authority ("FCA") expects firms to assess their products and services to ensure there is a reasonable relationship between the price paid for a product or service and the overall value and benefit a consumer gets from it. When assessing whether the price of a product/service provides fair value, insurers must include consideration of at least the nature of the product/service including the benefits that will be provided and their quality, any limitations that are part of the product/service, and the expected total price customers will pay.

In deciding this complaint, I've kept in mind the FCA's expectation that there should be a relationship between price and value. While looking into the price charged by UKI, I've also considered the benefits provided and whether the policy offered Mr K fair value. I've firstly taken into account the value measures data published on the FCA's website. The FCA has been focusing on value measures in insurance across a number of products which includes data on how often consumers are claiming on their insurance policy, how likely it is for a claim to be accepted, and the average claims payout.

In the case of motor insurance – which is the product taken out by Mr K – it shows a claims acceptance rate of over 99% and the percentage of premiums paid out in claims as 65%. I think this demonstrates this product carries both a value and benefit to consumers. If things happen unexpectedly, and where the terms and conditions of the policy allow, I think this data provides reassurance that a high volume of claims are accepted. And the data for the percentage of premiums paid out in claims demonstrates it's a product which offers fair value.

Looking more specifically now to Mr K's circumstances, I can see his comprehensive cover motor insurance policy provides cover against a range of perils. I think it's fair to say, and certainly so in the case of comprehensive cover, there is a lot of value consumers get from peace of mind from owning a product and knowing they're covered against a range of unexpected scenarios. I acknowledge Mr K is concerned about the price increase, but I haven't seen any evidence the product Mr K took out isn't comparative with similar products across the market – and I note Mr K says, when he compared policies online, all the prices were similar to what he'd paid. I think it's also important to point out that the cover and benefits provided by UKI under this policy 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 UKI haven't met their obligation to offer fair value to Mr K.

I can see Mr K says he wants our service to look at the pricing data used to calculate the price to determine whether the price charged is reasonable. I hope Mr K 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 Mr K's policy or otherwise treated him unfairly.

I wish to reassure Mr K I've read and considered everything he 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 Mr K to accept or reject my decision before 26 June 2024.

Paviter Dhaddy  
**Ombudsman**