

The complaint

Ms K has complained Insurance Factory Ltd trading as Petwise (“IFL”) didn’t give her enough information about her future premiums when it sold her a pet insurance policy in 2022.

What happened

IFL sold Ms K a ‘lifetime’ pet policy for her dog in October 2022. At that time the annual premium was £498.12. The policy renewed in 2023 and the premium increased to £686.04. Ms K is very unhappy about this, as she has not made a claim under the policy and while she expected the premium to increase, this is excessive. Ms K says if this is the rate the premiums will increase at each year, it will soon be unaffordable.

IFL says it made sufficiently clear to Ms K that the premiums would likely go up each year and does not accept it did anything wrong.

Ms K therefore brought her complaint to us. One of our investigators looked into the complaint. She said Ms K had asked several times about likely premium increases during the sales call but was not told that increases to the premium are not capped and potentially significant even if there were no claims made. The Investigator said that while she thought Ms K would have likely still purchased the policy, she would’ve been able to make an informed decision and would’ve been prepared to expect a more significant increase than she was actually expecting. Instead, Ms K entered the policy contract without all the information she should’ve been provided with to fully understand the long-term financial implications. The Investigator therefore recommended that IFL pay Ms K £250 compensation for the impact of this.

IFL does not accept the Investigator’s assessment. It says it does not agree that the increase in premium was significant, and it believes it managed Ms K’s expectations and provided all the information required. IFL also says that, in any event, the compensation proposed is not in line with other similar cases. In this case, IFL says that as Ms K has not made any claims under this policy, she was free to shop around for alternative cover if she wanted.

As the Investigator has not been able to resolve the complaint. It has been passed to me.

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.

Those selling insurance have a responsibility to provide clear information about the cover being provided, the cost and any significant terms or conditions. Essentially, the information provided to the buyer must put them in a position to make an informed decision about whether or not to take the policy. To fulfil this responsibility, we would expect a seller to explain clearly any significant terms, including the cost of the policy. This may be verbally or by providing clear documentation.

The cost of insuring a pet will generally increase each year, as the pet gets older because the likelihood of claims increases and the cost of medical treatment rises. This is especially true of 'lifetime' policies such as the one Ms K took out.

Most pet insurance policies won't cover any medical conditions the pet had, or received treatment for, when the policy was taken out or renewed, so ongoing medical conditions won't usually be covered. But 'lifetime' policies will cover any conditions on an ongoing basis for the rest of the pet's life, as long as the policy remains in force. This means there is a higher risk of claims being made and so the cost of providing this cover tends to be more expensive than other types of pet insurance on the market.

Premiums can also increase significantly at renewal. There is no limit to how much the premium could be. Different insurers apply different factors but they might include an individual's claims history, the cost of vets in the relevant locality, and the age and breed of the pet, among other things.

Given the above, we would expect those selling 'lifetime' policies to provide clear information about the cost of the policy to include the potential for significant increases in the price.

IFL says that Ms K was provided with the following information in the quote email and again when she took the policy.

"Like humans, our pets are more likely to be affected by illness as they get older. This means that every year your insurance premium will increase even if you haven't made a claim. This increase will be significant if you have claimed."

IFL therefore says Ms K was provided with clear information about the potential long-term cost of the policy. IFL also says Ms K could have cancelled the policy within the first 14 days, having received this information, if she was not happy with it.

I acknowledge the above extract warns the potential buyer that the premium may go up and potentially significantly so, if there have been claims made.

I have also listened to the phone call Ms K had with IFL to discuss the policy. In that call she asked specifically about how high any increases in premium might be and was concerned about potential increases. IFL's representative told Ms K that the premiums would likely go up each year and if a claim had been made they might go up significantly but she could not say by how much.

Given the above, I think Ms K was prepared for a "reasonable" increase in premium at renewal but as she had not made any claims, was not expecting a significant increase. However, Ms K's premium went up almost £200 per year – which I consider a significant amount proportionate to total premium – even though she had not made any claims.

I agree with the Investigator that the extract quoted above from the information provided to Ms K and the call did not provide sufficient information for Ms K at the time of taking the policy, or in the cancellation period, as she had no warning that there might be such a significant increase in premium even though she had not made any claims under the policy.

As I think IFL should have given Ms K more and better information about the potential for significant increases in premium, I now need to consider the impact this has had on her, if any; and, if it did have an impact whether any compensation is warranted.

I think it is likely Ms K would still have taken out the policy in 2022, even if she had understood the likely increases in premium, as she was happy with the cover provided for

the premium for that year. However, I can see that the significant increase in premium in 2023 came as something of a shock to her and she is now concerned that she will not be able to continue the lifetime cover she thought she had in place. If IFL had given her more information at the outset about the likely increase in premiums, then she wouldn't have been so surprised by the increase. While Ms K was able to go elsewhere for cover in 2023, this does not negate the impact of this in my opinion.

I therefore agree with the Investigator that some compensation is appropriate to reflect the distress and inconvenience this caused. I also agree that the sum of £250 is appropriate.

My final decision

I uphold this complaint against Insurance Factory Ltd trading as Petwise and require it to pay Ms K the sum of £250 compensation for the distress and inconvenience caused by this matter.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K to accept or reject my decision before 13 June 2024.

Harriet McCarthy
Ombudsman