

## **The complaint**

Mr B is unhappy with the amount by which Liverpool Victoria Insurance Company Limited ("LV") has increased his home insurance premium.

## **What happened**

Mr B says LV has significantly increased the price of his home insurance at renewal, compared to the previous year. He didn't think this increase was fair, so he complained to LV.

LV responded and said it takes lots of factors into consideration when it calculates a customer's renewal premium, including the rising cost of claims. LV also said it appreciated that this may cause price increases for some customers, and it encouraged Mr B to shop around if he didn't feel LV's policy was right for him. So, LV didn't uphold Mr B's complaint.

Unhappy with LV's response, Mr B referred the matter to the Financial Ombudsman.

Our investigator looked into the complaint and didn't think it should be upheld. He thought LV had shown how it priced Mr B's policy and he couldn't see that the increase had been applied incorrectly or unfairly.

Mr B didn't agree and wasn't satisfied with the explanation LV had given. So the matter has been passed to me to decide.

## **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 this complaint for broadly the same reasons as our investigator. I've focused my comments on what I think is most relevant. If I haven't commented on a specific point, it's because I don't feel it changes what I think is the right outcome.

I recognise that my decision will likely be disappointing for Mr B. I've carefully read what he's said, and I appreciate he's a pensioner and the rising cost of insurance will no doubt be a concern for him. But, I have to consider whether LV has priced his policy correctly and fairly – and, on this occasion, I think it has. I'll explain why.

The role of the Financial Ombudsman when looking at complaints about insurance pricing is not to tell insurers what they should charge or to determine the right price for the policies they offer. This is a commercial decision that they are entitled to make. But we can see whether we think a consumer has been treated fairly, or whether there's anything to show they've been treated differently or less favourably. And if we think someone hasn't been treated fairly, we can set out what we think needs to happen to put that right.

I can see Mr B paid a premium of £265.27 in 2022 and £388.72 in 2023. This is around 47% more than what he paid the year before. So, I can understand why Mr B is concerned about the increase.

LV has provided confidential, business-sensitive information to explain how Mr B's price increase was calculated. This includes how his policy was rated and the specific loadings that have led to the increase. This forms part of LV's pricing model so it applies to all policies. I think this is important, because it shows that the pricing model LV used to calculate Mr B's premium was the same model as would be used for other customers in the same circumstances. I'm afraid I can't share this with Mr B because it's commercially sensitive. But I've checked it carefully and I'm satisfied that the price Mr B has been charged has been calculated correctly and fairly. I've seen no evidence to suggest that Mr B has been treated differently to other LV customers in the same circumstances.

I can't share the specifics of LV's risk model. But, LV has demonstrated that the rising price of certain types of claims, due to inflation in the market, has been a key factor. I appreciate Mr B may feel this is unfair, and I do understand his frustration at his premium going up even though he hasn't made a claim. But, LV, like all insurers, will review its approach to risk and this will result in price changes.

I know Mr B is sceptical about the rising cost of materials being the cause of his increased premiums. But rising costs in the insurance industry are well publicised, and LV has said to Mr B that this has increased the price of claims due to higher parts and labour costs. I haven't seen any evidence to suggest Mr B has been singled out by this.

Mr B has also mentioned that a neighbour recently had an insurance claim, and he was concerned that this may have affected his premiums. He says LV told him it didn't. From the evidence I've seen, this wasn't a factor in the increase.

I've also checked the renewal letter that LV sent to Mr B, which said:

"You have been with us for a number of years. You may be able to get the insurance cover you want at a better price if you shop around."

I can't see when Mr B first took out his policy with LV but if there have been at least four renewals, then the financial rules say that LV had to share with Mr B the exact wording that I've quoted above – which I can see LV has done – highlighting possibility of him finding a cheaper price elsewhere. So, I'm satisfied LV has acted in line with its regulatory responsibilities, too.

I do recognise how strongly Mr B feels about the price increase. But, I'm satisfied LV has treated him correctly and fairly. So, I won't be telling LV to do anything further.

### **My final decision**

For the reasons I have given, it is my final decision that I do not uphold Mr B's complaint about Liverpool Victoria Insurance Company Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 25 July 2024.

Chris Woolaway  
**Ombudsman**