

The complaint

Mr L complains about the price charged by AXA Insurance UK Plc ("AXA") to renew his car insurance policy.

What happened

Mr L received a quote to renew his policy which he says was higher than what he'd paid the previous year. He also says the renewal invite referred to a lower price which AXA said represented what he would've paid if all his details were the same as last year. Mr L complained about the price increase, and he also said his details were the same as the previous year, so it was unfair AXA weren't renewing his policy for the lower amount shown on the renewal invite.

AXA responded and explained they consider many factors when managing their acceptance criteria. They confirmed their prices had changed since Mr L's policy renewed last year – and this was reflected in all their policies for all customers. They confirmed the price they quoted was correct. They said they understand Mr L wasn't happy that the renewal invite referred to a lower price had Mr L's details stayed the same. They said, after Mr L's policy started in 2023, he made some changes and these changes resulted in a premium refund of £13.91. They said the lower figure on the invite is there just to show why the figure they have as last year's premium doesn't match the exact premium Mr L paid when the policy was taken out.

Our investigator looked into things for Mr L. She thought AXA hadn't treated Mr L unfairly in relation to the pricing. Mr L 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 L 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 can see Mr L paid a premium of £333.09 for his policy in 2023, and he was then quoted £503.14 for his renewal in 2024 which, following Mr L contacting AXA, was reduced to £443.14. This still represents a 33% increase on what Mr L had paid the previous year, so I understand why Mr L is concerned about the price increase. AXA have provided me with confidential business sensitive information to explain how Mr L's price increase 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 AXA customers in Mr L's position will have been charged a lower premium.

As mentioned above, I can't provide specific detail about AXA's risk model, but I can see, in their complaint response, they say they take into account a range of factors when rating a policy. I've looked at the rating factors AXA have used to rate and price Mr L's policy and I can't say any of these are unusual or uncommon when rating a motor insurance policy. I acknowledge Mr L feels it's unfair that his price has increased to the extent it has, 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. This similarly applies to rating factors and loadings. It's for an insurer to decide what rating factors and loadings to apply to a policy.

One factor I can see which has had an impact relates to a general cost increase applied by AXA. It's been widely publicised over the last year that the price of 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've seen how Mr L's policy was rated and the loadings which have led to the price increase. This forms part of AXA's pricing model so it applies to all policies. I think that's important here as it demonstrates the pricing model used to calculate Mr L's premium was no different to what was used for any other customer in the same circumstances.

I can see, when Mr L raised a query about the price, AXA did apply a discount. And I'm satisfied the discount they applied here wasn't to correct a mistake they'd made with the original quote but was as a result of a discretionary discount. In addition to this, I've seen the renewal invite sent to Mr L and I can see AXA did remind Mr L that he could shop around to see if he could get a better price. As there had been at least four renewals with AXA, then section 6.5 of the Insurance Conduct of Business Sourcebook ("ICOBS") requires a business to provide specific wording about the benefits of shopping around. So, as well as treating Mr L fairly, I think AXA also acted in line with requirements set out under ICOBS.

I understand Mr L is concerned about some wording in the renewal invite which he feels is misleading. The renewal invite gave a price of £503.14 but it also said the price last year was "£333.09*". There's a footnote for this asterisk which says, "*This is the price you would have paid if your details were the same last year.*" Mr L says his details were the same as last year, so I do understand why he's concerned AXA didn't quote him this price for his renewal in 2024. AXA say after Mr L's policy started in 2023, he made some changes – and this included evidence of two additional years No Claims Discount ("NCD") and details of a windscreen claim made in 2021. AXA say this led to a slight reduction in the 2023 premium and a refund was issued to Mr L.

AXA say when a change, that affects the premium, is made mid-term, the renewal invite for the following year will note the price paid and will contain an asterisk beside it. They say this is to confirm that a change was made in the year that affected the premium and this is why last year's figure would be different to the figure paid when the policy started. That does appear to be correct as the price Mr L would've paid at the start of the 2023 policy year would've been different to what he ended up paying for the year following the refund. I do acknowledge Mr L's point about the way in which the footnote has been worded and he believes a reasonable interpretation of this is that if a customer's details are the same as last year's, then this is the price AXA will charge at renewal. AXA say, while they don't find this wording to be ambiguous, it's apparent this has caused a misunderstanding. They apologise for this and explain this wasn't their intention. They say, although the wording here meets

their internal standards for communication, they'd logged feedback for the business to report the misunderstanding this had led to.

I'll leave this with AXA to decide whether they believe the wording will likely continue to lead to further misunderstandings and the steps they may wish to take to address this. But for the purposes of this decision, I can't say there's evidence that the price of £333.09 was the correct premium for Mr L's 2024 policy. As I've mentioned above, I've seen the ratings and loadings which have been applied to Mr L's policy and this demonstrates the price he was quoted of £503.14 was correct. So, irrespective of the interpretation of the wording in the footnote, I can't say AXA have rated or priced Mr L's policy incorrectly. I do acknowledge Mr L believes there's an implication here that his additional two years' NCD has led to a price increase. But, it's the ratings and loadings, which form part of AXA's pricing model, which have led to the price increase here – and not specifically Mr L's additional two years NCD.

I understand why Mr L has complained, and I hope he feels reassured that I've checked the pricing information from AXA. But I can't say they've made a mistake or treated Mr L unfairly. I wish to reassure Mr L 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 L to accept or reject my decision before 24 July 2024.

Paviter Dhaddy
Ombudsman