

The complaint

Mrs T has complained about the premium Red Sands Insurance Company (Europe) Limited charged for the renewal of her pet insurance policy.

What happened

In 2013 Mrs T took out a lifetime pet insurance policy for her dog. Her original insurer transferred the policy to Red Sands in 2020.

In December 2023 Red Sands told her the premium would increase in January 2024 from £437 a year to £939. When Mrs T complained, Red Sands said several factors had contributed to the premium increase, including the cost of vet fees and a rise in the frequency of claims in certain regions. It also said it considered factors such as the pet's location, age, sex, breed, the risk of recurring conditions and submitted claims. It didn't agree to reduce the premium.

Mrs T brought her complaint to this service. She said her dog hadn't had a recent claim, was about 11 years old and had no ongoing conditions.

Our Investigator upheld the complaint in part. She thought Red Sands should have given Mrs T clearer information about the long-term cost implications of her policy. She recommended that Red Sands should pay £250 compensation for that.

As Red Sands didn't agree, the matter has been referred 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.

Mrs T took out a lifetime policy. This type of policy covers her pet for any condition they develop for the rest of their life so long as the policy continues. The pet is covered up to a set amount each year (£6,500 in this case) until the policy limit is reached and when the policy renews, the full limit becomes available again.

Because these policies are more comprehensive than other types of pet insurance, they can be expensive. The cost will almost certainly go up each year as the pet gets older and there's more risk of a claim. Other factors which can cause the premium to increase are those mentioned by Red Sands such as rising vet costs. These yearly price increases can be significant as in this case when Mrs T's annual premium more than doubled.

Given this, I can understand why Mrs T complained about the increase in her premium. But it's up to insurers how much to charge for the risk they think a customer presents. As this is a commercial decision, I don't have the power to tell a business how much its insurance should cost. So, I can't say that the cost of Mrs T's policy is too high or that she should be paying less. I also haven't seen any evidence to suggest that Red Sands treated Mrs T differently from how it would have treated any other policyholder in the same position.

The policy terms allow Red Sands to change the premium on renewal. I'm sure Mrs T appreciated that the premium was likely to go up every year. But the scale of the increase in 2024 was naturally a shock to her. So, I've looked at whether this was made clear to Mrs T. With insurance that's marketed as 'lifetime' cover, I think it's particularly important that information about the long-term costs of the policy should have been highlighted.

I don't expect sellers of this type of insurance to be able to tell a consumer exactly what their future premiums will be since this isn't something they'd know. But they could say a number of things that would help a consumer to make an informed choice about the insurance. These include the following:

- The premium will almost certainly increase year on year and as the pet gets older, these increases can be significant;
- Claims are likely to impact the level of these increases;
- The increases aren't capped, so there's no limit on how much the policy might increase by.

I can't see that Mrs T was told that the premium increases could be significant or that there was no limit on how much they might increase. I think better information about the policy would have meant that Mrs T wasn't so shocked and upset when the premiums increased as they did on renewal in 2024 – instead this would have been something she might well have anticipated.

I think it would be fair for Red Sands to compensate Mrs T for the trouble and upset she suffered from the lack of clear information about the long-term cost implications of her lifetime policy. I think the sum of £250 would be appropriate to compensate her for this.

My final decision

For the reasons set out above, I uphold this complaint and require Red Sands Insurance Company (Europe) Limited to pay Mrs T £250 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 21 August 2024.

Elizabeth Grant
Ombudsman