

The complaint

Mr M complains about the price charged by Aviva Insurance Limited ("Aviva") to renew his motor insurance policy.

What happened

Mr M received a quote to renew his policy which was higher than what he'd paid the previous year. Mr M says he contacted Aviva to query this but didn't find Aviva's staff to be helpful. Mr M then complained about the price increase, particularly as he felt his circumstances hadn't changed.

Aviva responded and explained there are many factors which contribute to the rating of a policy, and a renewal price is not only affected by individual customer circumstances but also factors outside their control. They said they understand Mr M believes the risk hasn't changed, but they use a rating mechanism which is frequently updated with claims information and statistical data. Aviva said the price they offered was the best they could provide.

Our investigator looked into things for Mr M. He thought Aviva hadn't treated Mr M unfairly in relation to the pricing. Mr M 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 M 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 M paid a premium of £982.56 for his policy in 2023. He then received a renewal invite quoting a price of £1,352.04 for his policy in 2024. Following a call with Aviva, they offered a discount bringing the price down to £1,291.08.

This is still around a 31% increase from the previous year, so I do understand why Mr M is concerned – particularly as he believes the risk hasn't changed. Aviva have provided me with confidential business sensitive information to explain how Mr M's renewal 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 Aviva customers in Mr M's position will have been charged a lower premium.

I acknowledge Mr M wants more detail around the specific factors which have led to the price increase as he maintains the risk hasn't changed. I can see Aviva referred to their rating mechanism being frequently updated with claims information and statistical data, and the pricing information they've provided supports this. I can see one factor which has had an impact relates to a general cost increase applied by Aviva. 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.

As mentioned above, I can't provide specific detail about Aviva's risk model, but I have seen the rating factors and loadings which were used to calculate a price for Mr M's renewal – and I can't say Aviva have treated Mr M 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 Aviva have acted unreasonably here. This forms part of Aviva'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 M's policy and calculate a price was no different to what was used for any other customer in the same circumstances.

I acknowledge Mr M feels the price increase is unfair, 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.

I do appreciate Mr M wanted more detail around what specific factors led to the premium increase and he was left frustrated at not receiving a response to his questions. Pricing is an area where the information which sits behind an insurer's explanation will often be commercially sensitive. So, I don't think Aviva have acted unreasonably in not providing Mr M with details of the specific ratings and loadings used to calculate the price.

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 M to accept or reject my decision before 28 October 2024.

Paviter Dhaddy
Ombudsman