

The complaint

Mr C complains about the price charged by Advantage Insurance Company Limited (“Advantage”) to renew his motor insurance policy.

What happened

Mr C says his policy automatically renewed at a price which was significantly higher than what he’d paid the previous year. He says he contacted Advantage about this and explained, due to being overseas, he didn’t have access to his emails so wasn’t able to review any renewal emails. Mr C says he was able to find a policy with another insurer which was significantly less than what Advantage had charged. So he cancelled his policy with Advantage and complained their price wasn’t competitive.

Advantage responded and explained Mr C’s policy was set to automatically renew, and they do this to ensure a customer is never uninsured by mistake. They said customers do have the option to opt out of this, but because Mr C hadn’t, his policy automatically renewed. Advantage also explained, even though a customer’s circumstances might not have changed, the price for their policy can still go up and there are many reasons for this.

Our investigator looked into things for Mr C. He thought Advantage hadn’t treated Mr C unfairly in relation to the pricing, and he also thought Advantage hadn’t made an error in relation to the renewal. Mr C 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 C will be disappointed by this but I’ll explain why I have made this decision.

Insurance price

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 C paid a premium of £1,971.90 for his policy in 2022. He was then charged a price of £3,509.51 for his policy in 2023. This is around a 78% increase from the previous year, so I do understand why Mr C is concerned – particularly as he was then able to find a policy with another insurer for £1,552.14. Advantage have provided me with confidential business sensitive information to explain how Mr C’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 Advantage customers in Mr C's position will have been charged a lower premium.

I acknowledge Mr C wants more detail around the specific factors which have led to the price increase. I can see Advantage, in their renewal invite, explained the price increase was mainly because of the rising costs of claims the insurance industry now faces. From the pricing information which Advantage have sent, I can see one factor which has had an impact relates to a general cost increase applied by Advantage. 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. So, I can't say Advantage have acted unfairly here.

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

I acknowledge Mr C feels the price increase is unfair and wasn't competitive, 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.

Automatic renewal

I can see a renewal invite was sent to Mr C on 15 November 2023, and the heading said Mr C's policy would, "...*automatically renew on 14th December 2023.*" Further into the renewal invite, it says Mr C's policy is currently set to automatically renew and he can opt out of this process at any time – and it provides details on how Mr C can do this. Having not heard back from Mr C, Advantage then renewed Mr C's policy and sent him renewal documentation.

The policy terms and conditions say a renewal invite will be sent at least 21 days before a policy ends. In this case, I can see the renewal invite was sent more than 21 days before Mr C's policy was due to end, so Advantage have acted in line with the policy terms and conditions here. I do acknowledge Mr C says he didn't have access to his emails, but I can't say Advantage have made an error here as there's no evidence they were aware of this. So, in the circumstances, I don't think it was unreasonable for Advantage to proceed with the automatic renewal on the basis Mr C hadn't opted out of this process, and they also hadn't heard back from him to decline their renewal quote.

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 C to accept or reject my decision before 4 November 2024.

Paviter Dhaddy
Ombudsman