

## The complaint

Mr N complains that Tesco Underwriting Limited (Tesco) unfairly increased the premium for his motor insurance policy at renewal.

## What happened

Mr N says his premium increased by £350 at renewal. He thinks Tesco has added his policy excess to his premium in relation to a previous claim. He says a letter showing he has eight years no-claims discount (NCD), was provided by Tesco. Mr N says he doesn't understand how this can be correct if Tesco accepted liability for the previous claim. He wants to know why his premium has increased by so much.

Mr N contacted our service before making a complaint to Tesco. We forwarded his concerns for it to respond to. In its final complaint response Tesco says it calculated Mr N's renewal premium correctly. It says all claims impact on its assessment of risk, including those that are non-fault. Tesco says it can't provide its underwriting information as this is commercially sensitive.

In its response Tesco says that due to an error on its part it had applied eight years NCD at Mr N's renewal. This should've been reduced to three years because it had paid for repairs for the accident he'd been involved in. It says this is because Mr N's car was shunted into the vehicle in front. Tesco explains that it had to pay for the repairs to the car in front.

Mr N didn't think he'd been treated fairly and asked for our service to consider the matter. Our investigator didn't uphold his complaint. She says Tesco had acted reasonably. She says it had explained that if its costs were recovered from the third-party insurer, Mr N's NCD would be reinstated, and his premium adjusted. Our investigator says Mr N had therefore, benefitted from retaining eight year's NCD when in fact this should've been reduced.

Mr N didn't accept our investigator's findings and asked for an ombudsman to consider the matter.

It has been passed to me to decide.

I issued a provisional decision in August 2024 explaining that I was intending to partially uphold Mr N's complaint. Here's what I said:

### *provisional findings*

*Mr N has a separate complaint about the liability aspect of the accident he was involved in. I'm not considering that here.*

*It's not our role to tell an insurer how to price their policies or what factors they should consider when calculating risk. An insurer's approach to risk is for it to decide. That said we need to make sure that an insurer is applying a fair and consistent approach to all its customers. I've focused on that in my decision.*

*In its submissions to our service Tesco explains that it initially recorded Mr N's claim from May 2022 as non-fault. I can see that this changed to a fault claim when Tesco had to pay the repair costs for the car Mr N was shunted into. It says this record will change to non-fault if these costs are recovered. I think this is fair. A claim is recorded as fault or non-fault dependent on whether the insurer incurred costs. If the insurer can recover any payments it's made then there are no costs, and the claim is correctly considered as non-fault.*

*Tesco provided renewal information to Mr N in April 2023. It quoted him an annual premium of £601.06. This was based on Mr N not being at fault for the 2022 accident. A discount was applied when he called to query the premium. The new price was then set at £535.92. Mr N remained unhappy with the increased premium and opted to lapse his policy. This is when Tesco wrote to Mr N to confirm he had eight years NCD. As discussed this was an error. At this time Tesco had paid for some of the repairs associated with the accident. So, it should've reduced Mr N's NCD to three years. However, it didn't do this. So, although this caused some confusion, Mr N has benefitted from this error and had a higher NCD to declare to his new insurer.*

*In its submissions Tesco says the non-fault claim from 2022 was reflected in the renewal premium Mr N was offered. As discussed earlier this was recorded incorrectly. However, the business explains that all claims, fault, or non-fault, are a consideration as part of its underwriter's risk assessment.*

*I don't think Tesco's approach is unusual. This is the established way in which insurers assess risk. We don't think this is unfair. However, I asked Tesco to provide more information to show it followed its established underwriting criteria in Mr N's case. More specifically, I asked it to demonstrate he'd been treated the same as any other customer would be in these same circumstances. It responded to highlight some of the changes to Mr N's risk profile at renewal and some wider changes affecting the business. It says these changes had the effect of increasing his premium.*

*I've thought carefully about the explanations and information Tesco provided. But I don't think it's clearly shown that it treated Mr N fairly using its established underwriting criteria for his circumstances. The information it provided gives some reasoning behind the increase in Mr N's premium. But it doesn't provide enough detail for me to be satisfied that this is the premium any customer in these same circumstances would be charged.*

*Mr N chose not to accept the renewal offer from Tesco. This meant he had to find another insurer and was caused some inconvenience and frustration as he didn't think the renewal premium was correct. Because it hasn't clearly shown that it calculated Mr N's renewal premium fairly, I think Tesco should acknowledge the impact this had and pay him £100 compensation.*

*However, Mr N benefitted from a NCD with a higher number of years than should've been the case when this was confirmed in 2023. So, I won't ask Tesco to do anything more with respect to this point.*

*I said I was intending to uphold this complaint in part and Tesco should pay Mr N £100 compensation.*

*I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.*

*Mr N didn't respond with any further information or comments for me to consider.*

Tesco responded to say that it had obtained further comments and information from its underwriters. This sets out more detailed pricing information to support the premium increase that was applied in Mr N's case. I issued a second provisional decision explaining that I wasn't intending to uphold this complaint. Here's what I said:

### *Second provisional decision*

*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'm satisfied that Tesco did treat Mr N fairly when calculating Mr N's renewal premium. This means I don't think it needs to pay him compensation.*

*Tesco has supplied more detailed information from its underwriters. This information is considered commercially sensitive. So, I can't share it. But it does show the ratings that were applied to Mr N's premium at his renewal. The changes to his premium reflect his claims history amongst several other rating factors that increased. This also includes general inflation related increases Tesco applied to all its policies.*

*I'm sorry Mr N has had to pay more for his insurance. But having considered the information Tesco has now provided, I don't think it treated him unfairly. Certainly, there's no evidence to suggest he was treated differently from any other customer. For these reasons my intention is to not uphold Mr N's complaint.*

I asked both parties to send me any further comments and information they might want me to consider before I reached a final decision.

Neither party responded.

### **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.

As neither party has made any further submissions or provided further evidence for me to consider, I see no reason to change my provisional findings.

So, my final decision is the same as my second provisional decision and for the same reasons.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 28 October 2024.

Mike Waldron  
**Ombudsman**