

The complaint

Mr G complains that Insurance Factory Ltd did not make it clear to him when he bought his pet insurance policy how much the premiums would increase in future.

What happened

Mr G bought a pet insurance policy for his cat in February 2022. Insurance Factory was responsible for arranging and selling the policy, though the cover is underwritten by an insurer.

When Mr G renewed his policy in February 2023, the premium increased from around £125 per year to £250. At the renewal in 2024, the premium increased to £490. He was shocked that the premium had gone up so much and complained it had not been made clear to him this might happen.

In response to his complaint, Insurance Factory said it had explained that the premium would increase each year and that, if he made any claims, the increase was likely to be significant. Mr G remained unhappy and referred the complaint to this Service.

Our investigator acknowledged that Insurance Factory had provided information about likely increases but didn't think it was clear enough. She said it was likely Mr G would still have bought the policy even if he'd been given clearer information but it was still a shock for him to see such a large increase.

The investigator asked Insurance Factory to pay compensation of £250 for the distress caused by this.

Insurance Factory doesn't accept the investigator's view and says the information it provided was clear. So I need to make 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.

Insurance Factory sold the policy to Mr G. The cover is underwritten by the insurer, a different firm, which set the premium. Insurance Factory wasn't responsible for the amount Mr G was charged. He complained about the premium increase and we've considered that separately.

Insurance Factory was responsible for the information given to Mr G when he bought the insurance. In this complaint, I'm only considering the information Insurance Factory provided to Mr G.

Insurance Factory had a responsibility to take reasonable steps to provide appropriate and timely information, so Mr G could make an informed decision about whether to buy the policy. Any information provided should be clear, fair and not misleading

The information Insurance Factory provided did say it was likely the premium would increase every year and the increase would be significant if there were claims on the policy. It considers this was enough to inform Mr G of the likely increases. I don't, however, think the information was clear enough.

Mr G was taking out lifetime insurance. This meant the policy would continue for his pet's life. So it was important he had a clear understanding of how the policy works and what was likely to happen over the years. Insurance Factory would not have been able to tell him exactly what his premiums would be in future. But it would have known the various factors that would have helped Mr G make a decision.

Insurance Factory said premiums would increase significantly if claims were made, so he was given some warning there might be considerable increases. But by only referring to where claims are made, it implied there would not be large increases if claims were not made. Claims are not the only factor and this doesn't accurately reflect the fact premiums may have significant increases even when claims are not made.

Customers should be given very clear information that explains how the policy works. I'd expect this to have highlighted the relevant factors, including that premiums would increase each year and his policy was likely to get very expensive as the pet gets older, so he would need to budget for that.

The premium doubled at the first renewal and again in 2024. I don't think the information given to Mr G would have prepared him for seeing such increases, and he's worried that if this continues every year there is likely to come a point when it's not affordable for him.

Having said all that, I think it's clear Mr G wanted lifetime cover for his pet. Even if insurance Factory had explained things more clearly it's likely he would have gone ahead. Mr G made a number of claims on the policy. If he'd had gone elsewhere, it's likely he would have found himself in a similar position in any event.

But it was a shock for Mr G to see such large increases. He would reasonably have thought there would be an increase, for example as his cat got older, but seeing such large increases so soon was upsetting and led to concern about what will happen if he has similar increases every year.

While Mr G could move to another provider if he wishes, that's likely to be difficult as his pet now has an ongoing condition, which another insurer is unlikely to cover.

I've thought about the impact on Mr G and I'm satisfied the £250 our investigator recommended is reasonable; taking into account his circumstances I think the amount is fair.

My final decision

I uphold the complaint and direct Insurance Factory Ltd to pay compensation of £250 for the distress and inconvenience caused to Mr G.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 10 December 2024.

Peter Whiteley
Ombudsman