

The complaint

Ms S complains that Advantage Insurance Company Limited (“Advantage”) auto-renewed her motor insurance policy without authorisation, unfairly increased her premium, and charged a cancellation fee.

What happened

Ms S says her premium increased from £65.73 to £217.44 per month on renewal. She says she didn’t want the policy to renew. And when she cancelled it Advantage charged a fee of £415.26.

In its final complaint response Advantage says Ms S’s policy was set up to automatically renew. It says it received no instructions to the contrary. Advantage says Ms S’s premium increased at renewal due to a claim from June 2023 amongst several other factors. It says it provided renewal information in advance of the policy anniversary. And this clearly stated the new premium and the renewal process.

Ms S didn’t think Advantage had treated her fairly and she referred the matter to our service. Our investigator didn’t uphold her complaint. He says Advantage had provided clear information about the renewal and followed its policy terms fairly. He agreed that the policy had been set up to renew automatically. Our investigator says he was unable to consider Ms S’s further concerns about a debt being passed to a debt collection agency. This is because she hadn’t raised this in her complaint to Advantage.

Ms S disagreed with our investigator’s findings and asked for an ombudsman to consider her complaint.

It has been passed to me to decide.

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’m not upholding this complaint. I’m sorry to disappoint Ms S but I will explain why I think my decision is fair.

As our investigator explained we’re only able to consider issues that have first been raised as a complaint with the business. This is set out in the Financial Conduct Authority (FCA) dispute resolution or DISP rules. I must apply these rules here and so I can’t consider Ms S’s concerns about Advantage referring her account to a debt collection agent.

It’s not our role to tell an insurer how to price its policies or what factors it should consider when calculating risk. An insurers 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 here.

Advantage has provided excerpts from its underwriting tables. This is considered commercially sensitive information so I can't share it. But in this it specifically highlights a claim from June 2023 that has impacted on the premium increase. It says this is in addition to a general increase in premiums due to the rising cost of dealing with claims. Advantage refers to these costs having an impact across the industry, which has pushed premiums higher.

We're aware that rising costs, particularly when dealing with motor claims have impacted the insurance industry as a whole. Fault claims also impact on an insurer's risk assessment and therefore have an impact on the premium paid. I considered what Advantage provided, but I didn't think it had done enough to fully explain the increase in Ms S's premium. So, I asked it if it could provide more information.

In the response from Advantage's underwriters, it explains that its rating system is complex and interlinked, and so it's difficult to provide the information requested. However, its underwriter confirms there was no manual intervention in the premium calculations. And there were no errors reported within its ratings system that could've impacted on Ms S's premium calculation. It says she had zero years no-claims discount (NCD) and then had a fault claim during the policy year, which had a substantially negative impact on the risk she presented.

I accept what Advantage says in that a jump from zero to one claim can have a significant effect on the premium an insurer charges. Also, that there were general increases due to rising industry costs. Having considered the information it provided I think it's done enough to show that it calculated Ms S's renewal premium fairly. Ms S was sent renewal information with sufficient time for her to shop around to see if she could get lower cost cover. Had she engaged with the renewal process she may have been able to mitigate some, or all of the premium increase.

As discussed it's not our role to tell an insurer how to calculate its premiums. But I'm able to look to see that Ms S wasn't treated any differently from other customers in these same circumstances. Based on what I've read, I'm satisfied that she wasn't. I'm satisfied that Advantage applied its established underwriting criteria fairly.

I can see from the policy Ms S had in place prior to the renewal that it was set to auto-renew. This is confirmed on page three of the policy documents she was sent, under the heading "Cover Summary". This explains that a renewal invitation will be sent a month prior to the policy end date. It says that if Ms S doesn't call to say otherwise, the policy will renew on 8 March 2024.

I've seen the renewal invitation Advantage sent to Ms S. This is dated 9 February 2024. It reiterates the date the policy will renew and confirms the new premium. From what I've seen Ms S didn't contact Advantage until April when she asked to cancel the policy.

I asked Advantage to provide a breakdown of the amount Ms S was charged when she cancelled her policy. It responded to show that this includes a cancellation fee for £45. This corresponds with the "Our fees" information Ms S was sent with her renewal information. We don't think it's unfair for an insurer to charge a cancellation fee to cover the cost of administration. As long as this information is made clear upfront, which it was in this case. The fee Advantage charged here isn't something we'd consider unreasonable to cover administration costs. The remaining balance is made up of time on cover, as well as a non-refundable arrangement fee and the interest for paying the premium in monthly instalments. I'm satisfied these charges were clarified upfront and are clearly set out.

Having considered all of this, although I can understand Ms S's disappointment with the

increase in her insurance premium, I don't think Advantage treated her unfairly when following its renewal process or with the charges it raised on cancellation. So, I can't reasonably ask it to do anymore.

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 Ms S to accept or reject my decision before 28 November 2024.

Mike Waldron
Ombudsman