

## **The complaint**

Mr K has complained about the price Royal & Sun Alliance Insurance Limited (“RSA”) has charged for his pet insurance policy.

## **What happened**

The circumstances aren’t in dispute, so I’ll summarise the main points:

- In 2019, Mr K took out a pet insurance policy for his dog, Nancy, underwritten by RSA. It was sold and has been administered by another party, acting on RSA’s behalf. So I’ll refer to them as if they are RSA for simplicity.
- The policy renewed each year. Initially, Mr K thought the premium increases were fair as they were relatively modest. But from 2022, the premium doubled each year. As a result, the premium increased from £250 in 2021, to £2,000 in 2024.
- Mr K noted he’d begun making claims for Nancy since 2022, and she was getting older, so it was understandable for the premium to increase to an extent. But he thought the scale of the increases were unfair – and risked making the policy unaffordable. He’d bought a more expensive ‘lifetime’ style policy for the peace of mind of knowing claims for Nancy would be covered throughout her life. But the extent of the price increases meant he may have to cancel the policy and lose the lifetime cover benefit. So, as a result of RSA’s premium increases, it wouldn’t be providing the lifetime cover it had offered.
- RSA said the premium increases were correct and in line with what it was charging other policyholders in similar circumstances. It noted some of the factors it took into account when setting premiums and said the rising cost of vet treatment had been the main cause of the premium increases. RSA also said it had made Mr K aware of the likelihood of premium increases when he took out the policy.
- Our investigator was satisfied RSA had treated Mr K fairly. Mr K disagreed, so the complaint was passed to me to consider.
- RSA later offered to pay £600 compensation. Mr K didn’t think this went far enough to put things right. He said a cap should be applied to the amount RSA could charge in the future. Otherwise, further premium increases could leave Mr K with no option but to cancel the policy and lose the lifetime cover benefit.

## **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.

- I’ll start by considering whether RSA increased the premiums fairly, then whether it was clear about the likely premium increases. Finally, I’ll consider its offer.

### *Did RSA increase the premiums fairly?*

- Each insurer is entitled to take its own view of risk and, based on that, what price to charge for providing insurance to a particular policyholder.
- RSA has explained some of the main things it takes into account when considering what premium to charge, including the age of the pet, the cost of vet treatment, claims made and likely to be made. These are all in keeping with the factors many pet insurers will consider and relate directly to the risk of providing insurance cover.
- RSA is effectively saying Mr K is likely to make more claims for Nancy – and they're likely to be more expensive – so it's factored that into its premium calculations. I think Mr K accepts it's fair in principle for the premium to increase each year, especially as Nancy gets older and may need more treatment. But it's the *extent* of the increase that he doesn't think is fair – and could become prohibitive.
- The evidence I've seen from RSA satisfies me that it's checked Mr K's premium increases and there haven't been any calculation errors. The increases are also in line with the way RSA calculates premium changes for all policyholders, so Mr K has been treated no differently. It's for RSA to decide what premium it needs to charge to account for a risk, and I'm satisfied it's done that in line with its general view of risk.
- As a result, I consider the premium increases are fair and reasonable in the circumstances. In many cases, Mr K may be able to shop around and move elsewhere if he thought RSA was uncompetitive. But the nature of the policy and the wider pet insurance market means he would lose considerable cover if he did that.
- That's why it's important for this kind of policy to be very clear about how premiums are likely to change over time, *before* it's too late for a policyholder to change policies without losing cover for pre-existing conditions – and ideally at the outset.

### *Was RSA clear that the premiums may increase significantly?*

- Early in the policy, Mr K was told it was likely his premium would increase each year. And, when a claim was paid, it would increase *significantly*. Later, and prior to making any claims, he was told the premium could *double* if a claim was made.
- I'm satisfied RSA was clear about how premiums were likely to change over time, particularly if a claim was made. So, whilst the increases may have been unwelcome, RSA made Mr K aware such increases were to be expected. And these warnings came early enough in the life of the policy that Mr K could have considered moving to another insurer if he wished – without losing considerable cover.
- I know Mr K is concerned about what may happen in the future. Whilst I can understand this, given the history of premium increases, I can't consider now how RSA should act at the 2025 renewal. And nor is it the role of this Service to determine what amount an insurer should charge for a policy. That's for RSA to decide when the time comes, although I'd expect it to bear in mind the concerns Mr K has raised about the potentially prohibitive impact of further significant increases.

### *Is RSA's offer of £600 compensation fair and reasonable?*

- During our investigation, RSA offered £600 compensation. Whilst RSA maintains the premium increases were fair, it accepts it didn't provide enough detail to explain why

and took too long to respond during our investigation. As a result, this has led to a delay resolving Mr K's complaint, which has no doubt added to his distress.

- I'm satisfied this is a reasonable offer from RSA in the circumstances, so I won't require it to pay anything further.

### **My final decision**

I uphold this complaint.

I require Royal & Sun Alliance Insurance Limited to pay £600 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 7 January 2025.

James Neville  
**Ombudsman**