

## **The complaint**

Mr J complains about the price quoted by Liverpool Victoria Insurance Company Limited ("LV") to renew his car insurance policy.

## **What happened**

Mr J received a quote to renew his policy which he says was significantly higher than what he'd paid the previous year. Mr J complained and said he hadn't made a claim in the previous year, and it was unfair for insurers to use the excuse of increased claim costs as a way to increase premiums. Mr J also complained he hadn't received a calculation to show how his price had increased.

LV responded and explained they understand it can be frustrating when there's a price increase, particularly when a customer hasn't claimed or changed their cover. They said this is down to how insurance works and everyone's premiums combined have to be able to cover the costs for those customers who have to make a claim. LV said, this is why price increases can affect all customers. LV explained an increase in the cost to settle claims had led to an increase in their premiums.

Our investigator looked into things for Mr J. He thought LV hadn't treated Mr J unfairly in relation to the pricing. Mr J 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 J will be disappointed by this but I'll explain why I have made this decision.

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 J paid a premium of £320.38 for his policy in 2023, and he was then quoted £547.25 for his renewal in 2024. This represents a 71% increase on what Mr J had paid the previous year, so I understand why Mr J is concerned about the price increase.

LV have provided me with confidential business sensitive information to explain how Mr J's price increase 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 quoted has been calculated correctly and fairly and I've seen no evidence that other LV customers in Mr J's position will have been charged a lower premium.

As mentioned above, I can't provide specific detail about LV's risk model, but I can see, in their complaint response, they refer to the rise in claim costs each year. What LV are saying here is that they've experienced increased costs in settling claims – and this being a factor which has led to the price increase. 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. And the information I've seen does show claims inflation has had an impact on Mr J's price.

I've seen how Mr J's policy was rated and the loadings which have led to the price increase. This forms part of LV's pricing model so it applies to all policies. I think that's important here as it demonstrates the pricing model used to calculate Mr J's premium was no different to what was used for any other customer in the same circumstances.

I've also looked at the rating factors LV have used to rate and price Mr J's policy and I can't say any of these are unusual or uncommon when rating a motor insurance policy. I acknowledge Mr J feels it's unfair to increase his premium by 71% in circumstances where he hasn't made a claim in the previous year and where this increase is above the rate of inflation. 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. This similarly applies to rating factors and loadings. It's for an insurer to decide what rating factors and loadings to apply to a policy.

In addition to this, I've seen the renewal invite sent to Mr J and I can see LV did remind Mr J that he could shop around to see if he could get a better price. It's not clear when Mr J first took out his policy with LV but if there have been at least four renewals, then section 6.5 of the Insurance Conduct of Business Sourcebook ("ICOBS") requires a business to provide specific wording about the benefits of shopping around. So, as well as treating Mr J fairly, I think LV also acted in line with requirements set out under ICOBS.

I do appreciate Mr J wanted LV to provide a calculation for the premium and more detail around what specific factors led to the premium increase. Pricing is an area where the information which sits behind an insurer's explanation will often be commercially sensitive. So, I don't think LV have acted unreasonably in not providing Mr J with details of the specific ratings and loadings used to calculate the price.

I acknowledge Mr J has raised a concern about LV's attitude in saying they wouldn't negotiate on the price. Mr J is referring to the renewal invite in which LV say they don't respond to requests about price matching and won't haggle. I do understand why customers may want the opportunity to negotiate on price, but LV do say in the renewal invite that they always give customers their best price at the first time of asking. So, LV have explained why they don't negotiate on price. I think it's also important to make the point that we don't have the power to direct a business to change its processes and to offer customers the option to negotiate on price.

I understand why Mr J has complained, and I hope he feels reassured that I've checked the pricing information from LV. But I can't say they've made a mistake or treated Mr J unfairly. I wish to reassure Mr J I've read and considered everything he has sent in, but if I haven't mentioned a particular point or piece of evidence, it isn't because I haven't seen it or thought about it. It's just that I don't feel I need to reference it to explain my decision. This isn't intended as a discourtesy and is a reflection of the informal nature of our service.

**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 J to accept or reject my decision before 19 November 2024.

Paviter Dhaddy  
**Ombudsman**