

The complaint

Mrs C and Mr C complain about the price charged by U K Insurance Limited (“UKI”) to renew their motor insurance policies.

Mr C has acted as the main representative during the complaint process. So, for ease of reference, I will refer to any actions taken, or comments made, by either Mrs C or Mr C as “Mr C” throughout the decision.

What happened

Mr C holds home insurance and two motor insurance policies with UKI. Mr C says he received a renewal invite for one of his motor policies which was significantly higher than what he’d paid the previous year. So he called UKI and they were able to offer a discount, but the price was still more than the previous year. Mr C says he then received a renewal invite for his other motor policy which again was significantly higher than what he’d paid the previous year. Mr C says he called UKI again, but they didn’t offer a discount this time. Mr C complained about the price increase, and he also said UKI didn’t provide him with a clear explanation for why the price of his policies had increased by the amount it had.

UKI responded and explained the premium is influenced by many different rating factors which are business sensitive and subject to market conditions. They said the cost of parts, materials and car hire had all increased and is reflected in the price increases being quoted for insurance policies. They said the policy was calculated by way of a comprehensive risk assessment, which considered several factors. They said this then set the price according to the perceived risk presented by the policyholder and their circumstances. They said a retention discount was able to be applied to one of the policies but not the other. They said this is system generated and aren’t guaranteed or available each year.

Our investigator looked into things for Mr C. She thought UKI hadn’t treated Mr C unfairly in relation to the pricing. Mr C 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 Mrs C and Mr C will be disappointed by this but I’ll explain why I have made this decision.

I can see Mr C has requested a telephone call. I have considered this, but I’m satisfied Mr C has clearly set out his complaint about UKI and provided comments following our investigator’s view. So I don’t think it would be necessary in the circumstances to have a telephone call.

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 C paid a premium of £247.74 for one of his motor policies in 2022 but then received a quote for £372.68 to renew his policy in 2023 – this is around a 50% increase from what Mr C paid the previous year. UKI then offered a discount, but the price was still around 22% more than the previous year's price. In relation to the other motor policy, Mr C paid £230.40 in 2022 but was then charged £351.83 at renewal in 2023 – this represents an increase of around 53%. So I do understand why Mr C is concerned.

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

As mentioned above, I can't provide specific detail about UKI's risk model, but I can see, in their complaint response, they refer to claims inflation. What UKI 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 C's price.

I've seen how Mr C's policy was rated and the loadings which have led to the price increase. This forms part of UKI'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 C's premium was no different to what was used for any other customer in the same circumstances. UKI have also provided evidence which shows how their view of risk changed and the specific ratings which were impacted by this. UKI have described how they refreshed their rating system to more accurately reflect the expected costs they underwrite and how this led to Mr C's premium increasing at renewal. So in short, they have treated all customers the same with the pricing structure and Mr C hasn't been treated differently or unfairly when they chose to change their approach.

I've also looked at the rating factors UKI have used to rate and price Mr C's policy and I can't say any of these are unusual or uncommon when rating a motor insurance policy. I acknowledge Mr C feels it's unfair for UKI to increase his price when he says the perceived risk hasn't changed from the previous year, he hasn't made any claims, and the factors UKI have referred to relate to their claims experience rather than factors specific to Mr C. 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 this case, I've seen how claims inflation has impacted the price as well as UKI's reasons for this – and I can't say they've acted unreasonably or treated Mr C unfairly.

I do appreciate Mr C will want to know more detail around what specific factors have led to the price increase and he was left frustrated at not receiving a clear explanation for this. Pricing is an area where the information which sits behind an insurer's explanation will often

be commercially sensitive. So, I don't think UKI have acted unreasonably in not providing Mr C with details of the specific ratings and loadings used to calculate the price.

Mr C also complains about the discount offered and questions why he wasn't offered UKI's best price originally, and also why UKI didn't offer a similar discount for his other policy. Principle 6 of the FCA Principles requires a business to pay due regard to the interests of its customers and treat them fairly. So, I've thought about what this means in the context of a discretionary discount.

I've already mentioned why I'm satisfied UKI haven't made an error when pricing Mr C's policies. But I do acknowledge why he's concerned that UKI was then able to offer a discount following his phone call. It's important to firstly keep in mind that a business can exercise its commercial judgement to decide if, when and to who a discount is offered – but it must do so in a manner which is fair and in a way which demonstrates it is treating its customers fairly. In this case, UKI have provided our service with their reasons for offering Mr C a discount and I'm satisfied this wasn't based solely on Mr C just phoning in. I also haven't seen any evidence to suggest the discount was offered in order to correct a pricing mistake. In addition to this, UKI have also explained why a discount wasn't offered on the other policy. This comes down to a business decision, so I can't say UKI have treated Mr C unfairly.

UKI have also provided information which shows the price of the motor policies and home policy were compliant with the relevant Financial Conduct Authority ("FCA") fair pricing rules. The rules for general insurance pricing which UKI are referring to here were introduced by the FCA in January 2022. They apply to motor and buildings insurance only and insurers need to make sure they comply with these rules when offering renewals. The rules aren't retrospective and only apply to renewals generated from 1 January 2022.

The rules were put in place to remove the risk of existing customers paying more than new customers. It places an obligation on insurers to make sure they charge renewing customers the same as new customers. The FCA refers to this as the equivalent new business price ("ENBP"). The ENBP needs to be reflective of the new business price the day the renewal invite is generated. It is accepted the view of risk can change and the rules don't mean all insurers need to charge the same price and the FCA accepts that policies bought through different brands will likely offer similar cover at different prices. It also understands that different sales channels for the same brand might result in different prices and it accepts this is fair. The new pricing rules were in place when Mr C was offered his renewal by UKI, so they did need to follow these at the time. And, having carefully reviewed the information provided by UKI, I'm satisfied they haven't made a mistake or failed to offer Mr C an ENBP.

While UKI were investigating Mr C's complaint, they appear to have sent a paper copy of a new business quote for his home policy. UKI say this was sent in error. UKI also generated a new business quote for both motor policies, and Mr C says he wants details of all the data UKI used to generate these two quotes. He says the information he wants relates to his personal information, such as name, date of birth and claims history. Mr C says he wants this information to ensure the correct details have been used as he feels the new business quotes he was given seemed too high.

UKI say the 'dummy quote' sent for the home policy was sent in error so I don't think it would be fair in the circumstances for me to ask UKI to send similar 'dummy quotes' in paper copy for the motor policies. What I can see though from the pricing information provided by UKI is that the new business quotes for the two motor policies was calculated against the two respective policy numbers. The same policy numbers are shown on the renewal documents sent to Mr C, and I can't see Mr C has raised any issue about the details on these renewal documents being incorrect. So, I'm persuaded the correct personal information was used to calculate the two new business quotes.

I acknowledge Mr C believes he hasn't been treated fairly. I fully understand why, on this basis, Mr C has complained, and I hope he feels reassured that I've checked the pricing information from UKI. But I can't say they've made a mistake in how they've rated Mr C's policy or otherwise treated him unfairly. I wish to reassure Mr C 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 Mrs C and Mr C to accept or reject my decision before 14 February 2025.

Paviter Dhaddy
Ombudsman