

The complaint

Mr W complains that U K Insurance Limited (UKI), has failed to provide him with all the information he feels is reasonable to expect with his motor insurance renewal invite.

He believes it has failed to explain or justify a significant increase in his premium when his renewal invite was received in February 2024, this is despite efforts made to amend the cover with a view to reduce the cost.

What happened

Mr W's car has been underwritten by UKI since 2021. The policy was sold via another company, Company A and the insurance has been provided by different underwriters since the inception of the first policy for Mr W's car in 2017.

It is the price offered in 2024 and the explanation of how this price has been calculated that Mr W is unhappy about. As the underwriter at this point, UKI is responsible for the price of the policy. It follows that it is responsible for dealing with any concerns about this and the transparency of the information provided. So although the policy was sold and offered under the brand of Company A, UKI is the respondent business.

UKI initially offered a price promise not to increase the premium for the first two renewals if Mr W renewed with it each year. This meant the price of the insurance didn't exceed £472.64 between 2021 and the renewal invite being issued in 2024.

In February 2024, Mr W received his renewal invite and the policy was offered for a price of £790.72 – an increase of around 67%. Mr W called Company A to see if the price could be negotiated and looked at whether increasing his voluntary excess would have any impact on the price. The price was not materially affected by these attempts to change it and Mr W didn't accept the invite and price increase. He insured his car with another provider for £144 less than the price offered by UKI.

Mr W complained about the clarity of information provided by UKI about the price increase and reason for this. He feels the documents provided with the renewal invite provide little clarity on the reasons for the increase and information on the No Claims Discount (NCD) is unclear and misleading.

UKI responded to Mr W across a number of final responses and in summary, said the following:

- The policy benefited from a promise not to increase the price for the first two renewals. This is why Mr W didn't pay more than £472.64 per year in the first three years.
- Once the price promise promotion had ended, the policy was subject to increases in line with how UKI assesses risk for all customers and the price it feels it needs to charge to cover this risk. This is impacted by a number of things including general inflation as well as specific costs faced by the business. It couldn't share the details

of these as it is commercially sensitive.

- The renewal invite provided the information UKI needed to provide as prescribed by the Financial Conduct Authority (FCA).
- The NCD is part of the information it is required to share but the level of discount for NCD is not prescribed by the FCA. The table sets out the average NCD and UKI is allowed to amend the levels of discount it provides to customers.
- Had there been no NCD applied, the base insurance cost before the protection element was added for Mr W's policy would have been £1032.64. This reduced to £687.68 with the NCD and he received a benefit of just over 33% for his NCD.
- It sends its best price out when a renewal invite is sent, it does this to avoid customers feeling they need to call up to negotiate a better price. The maximum voluntary excess it allows someone to set is £1000.
- UKI does not take advantage of loyalty when setting its best price with the renewal invite. And it complies with the FCA pricing regulations when making sure a new customer with the same information does not receive a cheaper quote than a renewing customer.

Our investigator looked at this complaint and didn't think UKI needed to do anything else. They felt Mr W had benefited from the fixed price for three years which rewarded his loyalty. They believed this offered a premium for this period of time which was cheaper than it would otherwise have been had the price fix not been in place.

Our investigator said they couldn't share information received on the reasons for the price increases as it was commercially sensitive but confirmed they'd seen this. They were satisfied from the information provided that the premium had been correctly calculated and Mr W was being treated fairly and in line with other customers and UKI's approach to pricing.

They didn't think it had acted unfairly with the information provided, including the information provided about the NCD and the level of this. And it wasn't unreasonable for UKI not to have any information on the previous policies provided by Company A as it was not the underwriter of the policy prior to 2021.

Mr W disagreed with the assessment and said he felt the renewal invite should be amended to provide different information which he feels would make it more transparent. He didn't think the current layout was fairly set out or fit for purpose. He didn't think it was unreasonable to expect his NCD to increase each year if he continued to make no claims and it was unfair of UKI to reduce this level of discount. He was worried the year of purchase for his car was incorrect and he was unhappy that the staff on the helpline were powerless to offer a better price when he called up to seek a discount.

Our investigator's opinion remained unchanged. They highlighted UKI hadn't said the car was purchased in 2021, but the insurance with it was. Ultimately, they felt UKI had complied with the regulations it needed to when offering Mr W his renewal invite. It didn't need to explain how it calculated this price when the information was commercially sensitive and it is entitled to choose what level of discount it offers for NCD.

Mr W maintained that he didn't think UKI had treated him fairly and the complaint was referred for decision at his request.

Mr W also highlighted that he felt there was a mistake in the cover provided with the policy

providing cover for commuting when he is retired and this is not needed.

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've decided not to uphold this complaint, for much the same reasons as our investigator. I appreciate Mr W will be disappointed by this, but I'll explain why I don't think UKI need to do anything else.

I appreciate Mr W has provided a lot of comments and information on why he feels UKI has not treated him fairly with the price offered for his renewal and the information provided. I'm grateful for this level of detail, but I've focused on what I feel is most relevant to the crux of this complaint in my decision. So I mean no discourtesy if I don't comment on everything he has said but have taken everything into account when deciding this complaint.

This Service is not here to regulate what insurers charge for the service and products they offer. Nor does the FCA set out what they should be charging. Each business is entitled to determine what it feels the appropriate cost is for the service it is offering and as our investigator has said, there is an element of commercial sensitivity with what drives this cost for each business which means not all information can be shared.

The Insurance Code of Business Sourcebook (ICOBS) sets out the information insurers need to provide when offering insurance and the rules around treating existing customers fairly when compared to new customers. This places an obligation on UKI to ensure it does not set a renewal price higher than the equivalent new business price. It should provide information about a proposed renewal in a way which is clear and accurate and draws the customers attention to the key information, including the previous year's premium so the customer can understand the change in price year on year.

Is the renewal invite clear

It is understandable with an increase of around 67% in the cost of the insurance why Mr W was concerned and questioned the price with UKI. But there is no requirement on UKI to set out in detail what has driven the change in price and provide this in the renewal invite. And while Mr W has set out what he thinks is a reasonable structure for the renewal invite and providing clarity on the price, it is not my role to set out what businesses need to do here. This would be the role of the FCA as the regulator.

UKI has given some explanation for the increase, referencing general inflation as well as costs specific to it – which it has said it cannot share the details of. While more information is always helpful, I don't think UKI has acted unfairly when providing the information it did. The renewal invite highlights the previous year's cost compared to the new year's premium and what the cost would be if paid monthly or in one upfront payment. So Mr W was made aware of the difference in price together with details on the level of cover being provided for this cost.

With Mr W's policy being subject to a price freeze for the first two renewals, the price was protected from inflationary rises during this period. But I think it is helpful to explain a little more about the market and how it has changed during this time and why it is reasonable to expect an increase in the cost of the insurance when looking at the market average.

Between 2015 and 2022, the Consumer Price Index (CPI) shows there was relatively little movement in the cost of motor insurance. But from 2022 onwards, there has been a steady

year on year increase in this cost. Each insurer will be impacted differently and the CPI data is only an indication of the market and how it has moved. But this does support a significant increase in the cost of insurance during this period.

When questioned about the price, I would not expect UKI to share information which is commercially sensitive to it about its price increases, but it has provided some general information in response to Mr W's concerns which I think is accurate. The renewal invite provides all of the information required as set out within ICOBS and based on this, I am satisfied UKI has acted fairly with the information provided.

Mr W has made specific reference to the NCD and the level of discount applied. He is not happy that as a driver with over 9 years NCD (the maximum set out within the Average NCD table within the renewal documents), that he might only receive a discount of 20% in line with the average. The table is not specific to all customers and only provides an average – as the title of the table indicates.

UKI confirmed with Mr W the discount it applied to his policy for his NCD was around 33%. Mr W has questioned whether the discount is as high as this when taking account of the total price offered. But I am satisfied that this was around 33% of the base premium. UKI is entitled to set the level of discount it wants to offer for NCD. This is a commercial decision it will make and each insurer will vary on the level of discount applied. It follows that the average discount will vary year on year and the information provided on this average discount will reflect this. As with the rest of the information within the renewal documents, I've not seen anything which is unclear or not in line with the expectations under ICOBS.

Has UKI acted fairly when calculating the price

Mr W has highlighted his concerns about the price and his loyalty not being rewarded. He feels the lack of a discount being offered when he called to discuss the price demonstrates this. And even his attempts to make changes to his voluntary excess made no difference.

I understand why Mr W, when no discount was offered, feels that UKI was not recognising his loyalty or treating him fairly. However, I don't agree he has been treated unfairly by UKI.

Changes were made to ICOBS and the pricing rules within this in January 2022. The change was made to remove the risk of existing customers being treated differently and unfairly to new customers. An obligation was placed on insurers to make sure the equivalent new business price was offered at renewal – so they need to make sure they don't treat new customers differently to existing customers.

UKI has said it offered its best price to Mr W in its renewal invite and this price was its equivalent new business price. It is the same price it would charge anyone else with the same needs as Mr W. It means when Mr W called to seek a discount, it was unable to offer this as it had already offered its best price. It is up to UKI when determining the overall risk, what weight it places on policies with an increased voluntary excess. I know it will be frustrating when this appeared to make little difference to the price, but UKI is entitled to decide how it views this and the total price of the policy.

From the information provided, I am satisfied UKI has treated Mr W fairly here and while it would be frustrating not being able to obtain a discount if this had been achieved in previous years, it doesn't mean UKI was acting unfairly.

The new pricing rules have been put in place to protect customers who don't engage from losing out and paying more than those who do engage. In offering its best price with the renewal, I think UKI has demonstrated it is treating Mr W fairly and in line with how it treats

all customers. He was provided with information about the price of the policy and cover being offered for this price and was able to determine whether he wished to take the policy or not.

The fact cover was found for less with another provider does not demonstrate UKI has acted unfairly with how it calculated the price and based on what I've seen, I see no reason to ask it to do anything else now.

I've not seen that Mr W raised concerns about the inclusion of "commuting" with the cover it provided a quote for. If he feels this should have been removed, he will need to raise this with UKI in the first instance as this is a new point not previously considered by it.

Overall, I've not seen anything to demonstrate UKI has acted unfairly. The reality of a competitive insurance market is that each insurer will want to protect information which is commercially sensitive. I agree more transparency on the detail of the price would be helpful, but I cannot say UKI has done anything wrong when only sharing the information it has – as I'd expect any insurer to do.

UKI has provided a renewal invite which complies with the information requirements of ICOBS and has demonstrated it has offered a price which is in line with how it prices all of its policies. So while Mr W may not be happy with the increase from the previous year and price offered, I cannot say UKI has done anything wrong.

My final decision

For the reasons I've explained above, I don't uphold Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 28 January 2025.

Thomas Brissenden
Ombudsman