

The complaint

Mr Y is unhappy with the service provided by Tesco Underwriting Limited when dealing with renewal of his car insurance policy.

What happened

Mr Y took out car insurance with Tesco. The facts of Mr Y's renewal in September 2023 are well known to both parties. So I haven't repeated them in detail here. Mr Y contacted Tesco to provide details of a new car to replace the existing one on his policy. Mr Y paid an additional £10 for this change to take place, and cover was confirmed for one month. Mr Y received a renewal quote based on the car he had replaced on his policy. Mr Y complained to Tesco saying it only cost him an additional £10 to insure his car for an additional month, but the renewal quote sent to him was around £500 more than what he was expecting. Mr Y also said he had seen a similar policy online at a much lower cost.

Tesco responded to Mr Y's complaint saying that the higher premium was based on market conditions at the time. Mr Y was unhappy with this response, and brought the complaint to the Financial Ombudsman Service. The investigator asked Tesco to provide additional information about its underwriting criteria. Tesco didn't provide the requested information. Because of this, the investigator said Tesco must pay Mr Y £100 compensation. This was in recognition of the upset caused to Mr Y because the lack of certainty in knowing whether the premiums had been calculated fairly.

Mr Y didn't accept these findings saying £100 compensation doesn't reflect the delay and challenges he has faced. Tesco provided the requested information about its underwriting criteria after being informed the case would be referred for an ombudsman's decision. I issued a provisional decision on Mr Y's complaint. This is what I said about what I'd decided and why.

Having done so, I've decided to uphold the complaint. As my reasoning is different to the investigator's, I've issued a provisional decision on the complaint. I still think the investigator's recommendation for putting things right is a fair way to resolve matters. So I'm minded to ask Tesco to pay £100 to Mr Y. I'll explain why.

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.

When our service looks at complaints about pricing, we'll ask for information from a business to demonstrate why and how a price has increased. What information is considered reasonable will depend on a case by case basis, but insurers generally will provide confidential business sensitive information to explain how a customer's price has been calculated. This might involve evidence of rating factors and loading tables to show, more specifically, which loadings have increased to justify the price increase. Generally, and

particularly in cases where the price has increased significantly, it's this level of detail that allows our service to check the information and provide a customer with reassurance that there hasn't been a mistake in the calculation and that they've been treated fairly and no different to any other customer in the same circumstances.

I agree 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.

A customer may expect a simple explanation for a price increase like Mr Y's experienced. But for an insurer, there may be hundreds, or even thousands of variables it has to consider when setting a premium – including its own commercial requirements. And we generally take the view that, providing it treats people fairly - that is it treats customers with similar circumstances in the same way - insurers are entitled to charge what it feels it needs to in order to cover a risk.

In this case I understand that Mr Y thinks that Tesco hasn't done enough to explain why the price of cover for the same car for one month varied drastically when he was quoted for insurance to cover one year. Although I can appreciate Mr Y's disappointment when the quote changed when it was based on cover for one year, this change isn't unreasonable when considering what Tesco has explained about the risk factors it considers, and how these impact the cost of insurance it can offer to consumers.

Tesco has given us some information about how it calculated Mr Y's premiums- both in respect of the £10.08 charged and the renewal quote for £951.76. That information is commercially sensitive so I can't share it with Mr Y. But, having looked at it carefully, I'm satisfied Tesco has treated Mr Y as it would other consumers with similar circumstances. So, although I'm not in a position to explain to Mr Y why the amounts vary in price considerably, I'm satisfied that Tesco dealt with Mr Y fairly and that it hasn't singled him out.

I do wish to make it clear the reason I'm upholding Mr Y's complaint is because Tesco should've done more to provide information about its pricing guidelines in a timely way. Because of the delay Mr Y has been left frustrated and confused by the different premium prices he was given– and I think compensation is fair and reasonable in the circumstances.

I'm satisfied Tesco has caused Mr Y upset and frustration that our service hasn't been able to reassure him that the price was calculated correctly for his premiums. I've considered our award bands alongside what's happened on this complaint. And I'm satisfied £100 compensation is fair and in line with our approach. This amount reflects the upset caused to

Mr Y over several months of not knowing his premiums had been fairly calculated, but also that Tesco has acted reasonably in calculating Mr Y's premiums. I think compensation of £100 is fair and reasonable in the circumstances. So I am minded to ask Tesco Underwriting Limited to pay £100 compensation to Mr Y.

My provisional decision

I am minded to uphold this complaint and ask Tesco Underwriting Limited to pay £100 compensation to Mr Y.

The responses to my provisional decision

I invited both Mr Y and TUI to respond to my provisional decision. TUI disagreed with the provisional decision. TUI said (amongst other things) that there was a delay in providing underwriting evidence however this did not lead to a change in outcome. Mr Y raised concerns with the amount of time taken to resolve his complaint.

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 carefully considered all the points raised by TUI and Mr Y. I've focused my comments on what I think is relevant. If I haven't commented on any specific point it's because I don't believe it has affected what I think is the right outcome.

In summary TUI says Mr Y's complaints to this Service had to be split between two complaints and this has further complicated issues. I have seen that an associated business of TUI, T, advised this Service in April 2024 that Mr Y's complaints needed to be dealt with under one complaint reference. This isn't in line with our approach. As a business familiar with our Service and complaints process we would've expected T to be aware of how complaints concerning pricing are set up, and specifically the business responsible for dealing with them. The decision to split the cases is in line with our approach, and I'm satisfied this was the correct process to follow.

I've considered the delay caused by the late sending of pricing information from TUI. TUI doesn't dispute there was around a two month delay in TUI receiving a request for its underwriting guidelines on 20 August 2024, and providing this evidence on 16 October 2024. TUI says this period of delay doesn't reasonably warrant compensation in line with our guidelines. I've considered these comments. But I don't agree. In reaching this decision I accept TUI's point about this Service being responsible for some of the delays in Mr Y receiving a timely response to his complaint. But this doesn't change the responsibility on TUI to provide information in a timely way.

As TUI didn't reply by the initial deadline provided in August, Mr Y received an outcome which communicated that the pricing complaint had been upheld. I accept that TUI then sent correct pricing information which changed the reasoning for Mr Y's pricing complaint at decision stage. But because of the delay in TUI sending this, Mr Y had to be sent a decision explaining different reasoning for his complaint being upheld. This added to the delay on the complaint being resolved. The delay in TUI sending this evidence also added to the time taken to reassure Mr Y that the premium information he'd been provided with was correct.

I've carefully considered TUI's submissions. But I don't think these comments materially change the outcome of Mr Y's complaint, or my direction for putting things right. So I'll be directing TUI to put things right as set out in my provisional decision.

My final decision

For the reasons provided I uphold this complaint. Tesco Underwriting Limited is directed to pay £100 compensation to Mr Y.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or reject my decision before 26 December 2024.

Neeta Karelia
Ombudsman