

The complaint

Mr E and Ms F complain about the price quoted by U K Insurance Limited (“UKI”) to renew their combined home and motor insurance policy.

Ms F 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 Mr E or Ms F as “Ms F” throughout the decision.

What happened

Ms F says she received a renewal invite for her combined home and motor insurance policy which was significantly higher than what she’d paid the previous year. Ms F says UKI didn’t provide her with a clear explanation for the price increase apart from saying it was due to external factors. So, Ms F complained, and she says UKI then offered a £250 discount to the home insurance component of the premium.

UKI responded and explained there are various factors which influence the price of a policy. They said some might be specific to Ms F and some might be external factors such as inflation, rising number of claims, rising cost of materials and labour and weather conditions. They maintained the price they quoted was correct. In relation to the discount, they said the price they originally offered was correct, but they decided to offer a discount due to Ms F being a loyal and long-standing customer and also taking into account her claims history. They said this was a manually calculated process, so they weren’t able to offer this price originally.

Our investigator looked into things for Ms F. He thought UKI hadn’t treated Ms F unfairly in relation to the pricing. Ms F 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 E and Ms F 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 Ms F paid a premium of £3,497.17 for her 2023 policy but then received a quote for £6,044.76 to renew her policy in 2024. After Ms F raised concerns, UKI offered a

discount of £250 to the home insurance premium, which brought the combined price down. This still represented a significant increase, so I do understand why Ms F is concerned.

UKI have provided me with confidential business sensitive information to explain how Ms F's price was calculated. I'm afraid I can't share this with her because it's commercially sensitive, but I've checked it carefully. And I'm satisfied the price she was quoted has been calculated correctly and fairly and I've seen no evidence that other UKI customers in Ms F'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 have seen the rating factors and loadings which were used to calculate a price for Ms F's policy – and I can't say UKI have treated Ms F unfairly here. The ratings used to calculate a price for the home insurance are the ratings I would expect to see when an insurer is assessing risk. I can't say there are any unusual features within the pricing strategy used by UKI here. And the same applies to the motor insurance policy.

One specific factor I can see which has had an impact relates to a general cost increase applied by UKI. 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 in the case of home insurance, this includes the cost of building materials and labour, and in the case of motor insurance, this includes the cost of used cars going up as well as parts and materials. I've seen how Ms F'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 Ms F's premium was no different to what was used for any other customer in the same circumstances.

I acknowledge the price increase concerns Ms F, 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.

I do appreciate Ms F will want to know more detail around what specific factors have led to the price increase and she 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 Ms F with details of the specific ratings and loadings used to calculate the price.

In addition to this, I've seen the renewal invite sent to Ms F and I can see UKI did remind Ms F that she could shop around to see if she could get a better price. As 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 Ms F fairly, I think UKI also acted in line with requirements set out under ICOBS.

Ms F also complains about the discount offered and questions why she wasn't offered UKI's best price originally. 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 Ms F's policy. But I do acknowledge why she's concerned that UKI was then able to offer a discount following her 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 Ms F a discount and I'm satisfied this wasn't based solely on Ms F just phoning in.

The information shows UKI took into account Ms F being a loyal and long-standing customer as well as other factors relating to her policy. UKI have exercised their commercial judgement here and I haven't seen any evidence to suggest the discount was offered in order to correct a pricing mistake

I acknowledge Ms F believes she hasn't been treated fairly. I fully understand why, on this basis, Ms F has complained, and I hope she 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 Ms F's policy or otherwise treated her unfairly. I wish to reassure Ms F I've read and considered everything she 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 E and Ms F to accept or reject my decision before 12 February 2025.

Paviter Dhaddy
Ombudsman