

The complaint

Mr T complains that Advantage Insurance Company Limited treated him unfairly when they increased his motor insurance premium at renewal.

What happened

Mr T had a motor insurance policy with Advantage and received his renewal invite in March 2024. This explained his premium would be increasing from £240.48 to £410.82. Mr T then decided to take out insurance elsewhere as he was able to find a less expensive policy. However, he also complained to Advantage as he said the increase was too high and he didn't understand how they could justify it.

In the final response, Advantage explained that insurance premiums had gone up on average around 50% due to the increase in claim costs, however, they acknowledged Mr T's increase was more than this, and said a variety of different risk factors were taken into consideration. They also said they couldn't be any more specific as their pricing information is commercially sensitive.

Mr T didn't accept this explanation, so he referred his complaint to our service. The investigator issued two views, but ultimately concluded the complaint shouldn't be upheld as while Advantage hadn't provided supporting evidence, he accepted the explanation they gave for the price increase.

Mr T then asked for a decision as he still felt he'd been treated unfairly. He also explained that the important thing for him was understanding what he could do differently in the future to avoid further significant premium increases.

In December 2024, I issued a provisional decision as I didn't agree with the investigator's outcome. I've copied my findings below.

It isn't my place to tell Advantage or any insurer what they should charge for their insurance policies as that relates to a commercial decision only they can make. However, I have considered if Mr T has been treated fairly. This involves considering if he's been treated the same or less favourably, than Advantage's other customers in the same position.

As mentioned above, Mr T paid £240.48 for his premium in 2023 and he was quoted a price of £410.82 for his 2024 renewal – which is 70% more than he'd paid the previous year. So, I understand why he's concerned by the size of the increase.

When our service considers complaints about pricing, we ask the insurer to provide information which shows us how and why the policy premium increased. The information that is considered reasonable depends on a case by case basis, but insurers will generally provide confidential business sensitive information which demonstrates how the premium has been calculated. This might include evidence of rating factors and loading tables, to show specifically what loadings have increased to justify the price increase. In situations where the premium has increased significantly, as is the case here, and in general, it's this level of detail which allows our service to reassure complainants that a mistake hasn't been

made and they've been treated the same as any other customer in the same circumstances.

In response to our information requests, Advantage have told us how their pricing system works. They've explained they have a complex built in rating system which considers a wide variety of factors and automatically generates a price with no manual intervention. It's for this reason, they are confident Mr T has been treated fairly, and he was offered the same quote as anyone else in similar circumstances. Advantage have also explained there is one specific confidential risk factor that made the most difference to the price of Mr T's 2024 renewal quote. However, they haven't provided evidence to support their explanation such as their loading information, premium breakdown, or their calculations to show the impact of the specific factor they've highlighted. They've shared a percentage associated with this factor, but this figure on its own isn't enough information to determine if the increase has been calculated fairly. I appreciate Mr T would like to know what this specific factor is, however, as this is commercially sensitive information, I'm afraid I'm unable to share it with him.

I've carefully considered Advantage's comments about how their system works, and I accept the specific factor they've stated could have impacted the policy premium. However, I'm not satisfied Advantage have provided enough evidence to show the premium increase was fair. This is because while they've shared the key reason for the significant increase, as mentioned above, they haven't provided sufficient evidence which shows how this factor impacted the price of the policy. So, I can't be sure, it was carried out fairly.

I'm aware, Advantage have asked me to provide clarity over the specific information we need, however, as this has been previously explained by the investigator and myself with a link to our published guidance, I haven't delayed this complaint any further by responding to this request. However, in the event Advantage are able to provide information which shows how the price increase was calculated as described above, I'll take this into consideration.

I would like to make it clear that in reaching this decision, I've not concluded that Advantage have made an error in their pricing calculation. The reason I'm upholding this complaint is given the significant increase in premium, I would need to see clear information which shows why and how the premium increased, so I can reassure Mr T that a mistake wasn't made when he received his renewal quote. Advantage haven't demonstrated this based on the information they've currently provided, so I can appreciate Mr T's frustration and confusion by the price increase, and I think £100 compensation is a fair way of reflecting this and putting things right.

Advantage have highlighted the advance notice they gave Mr T of their renewal quote and I appreciate this did mean he was given ample time to consider his options and find a less expensive policy. But I don't think this takes away from the initial shock of receiving the significant price increase, or the confusion he continues to experience due to the fact our service can't currently reassure him, based on the information Advantage have shared, that a mistake hasn't been made.

Mr T has asked what he can do differently to avoid receiving further significantly increased premium increases. Unfortunately, there isn't one specific thing that will make a difference as not all insurers price their policies in the same way, and as mentioned above, it's up to the individual insurer to decide what they would like to charge provided they do so fairly. Motor insurance policies are also generally more expensive than previous years due to the increased cost of claims, so some increase in premium is likely to be unavoidable regardless of any action Mr T may decide to take. However, he can compare his options by considering different quotes.

Responses to my provisional decision

Mr T accepted my provisional decision.

Advantage responded with comments and in summary said:

- Insurance premiums have increased in general, and a wide variety of different risk factors were taken into consideration when Mr T's renewal premium was calculated.
- They can't evidence the difference in rating for each individual risk factor across the two years, but they've shared details about one specific factor that had a significant impact.
- Their pricing system is automatic, involves no manual intervention and is vigorously tested to make sure it's working correctly.
- They are satisfied Mr T's renewal premium was calculated correctly and fairly.
- Mr T wasn't obligated to accept the renewal quote and he was given enough time to find a different policy which he ultimately did.

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 reviewed Advantage's response to my provisional decision, but my findings remain the same, and there is very little I can meaningfully add to what I've already said. I appreciate the restrictions associated with their automatic system and the wide variety of risk factors that were taken into consideration. However, as I've not been given any additional pricing information to consider, I'm satisfied it remains the case that they haven't persuasively demonstrated how and why Mr T's premium significantly increased.

My final decision

For the reasons I've explained above and in my provisional decision, I uphold this complaint and direct Advantage Insurance Company Limited to pay Mr T £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 7 February 2025.

Claire Greene
Ombudsman