

The complaint

Mrs M and Mr M complain about the price quoted by Liverpool Victoria Insurance Company Limited ("LV") to renew their home insurance policy. They also complain about money being debited from a bank account while there was a dispute about the level of cover.

Mr M 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 M or Mr M as "Mr M" throughout the decision.

What happened

Mr M says he received a renewal quote for his home insurance which was significantly higher than what he'd paid the previous year. Mr M then used a comparison site to search for another policy and found one with LV which was cheaper than the price he'd been quoted. Mr M says he queried this with LV and a call handler explained LV offered three levels of cover, with Mr M being placed on the highest level of cover. Mr M says he then asked for a quote for the first and second levels of cover, and also set out the cover levels he wanted, but the call handler wasn't able to provide this over the phone. Mr M then queried this with LV by email but he says they refused to provide the quotes he wanted. Mr M says despite this, LV then debited the renewal premium from his bank account. So, Mr M complained.

LV responded and explained there were differences between the renewal quote and the new business policy quote Mr M obtained from a comparison site. They said Mr M presently had £100,000 contents cover, but the new business quote provided £50,000 contents cover, and the unspecified possessions away from home cover also differed in that Mr M presently had £15,000 but the new business quote was for £3,000 cover. And Mr M presently had bike cover, but this wasn't included in the new business quote. They also explained that the rising cost of claims had impacted the price of policies.

Our investigator looked into things for Mr M. He thought LV hadn't treated Mr M unfairly in relation to the pricing or in debiting the renewal premium from Mr M's bank account. Mr M 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 M and Mr M will be disappointed by this but I'll explain why I have made this decision.

Renewal price

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 M paid a premium of £494.76 for his policy in 2023 but then received a quote for £661.63 to renew his policy in 2024. Mr M searched a comparison site and found a policy with LV which quoted a new business price of £461.91. The renewal price Mr M was quoted was around 34% higher than what he'd paid the previous year and 43% higher than the new business quote, so I do understand why Mr M is concerned.

LV have provided me with confidential business sensitive information to explain how Mr M'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 LV customers in Mr M's position will have been charged a lower premium.

One specific factor I can see which has had an impact relates to a general cost increase applied by LV. 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. I've seen how Mr M's policy was rated and the loadings which have led to the price increase. This forms part of LV'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 M's premium was no different to what was used for any other customer in the same circumstances.

I acknowledge Mr M pointed out, in correspondence with LV, that the level of increase here exceeds the rate of inflation, and he also hadn't made any claims. 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.

In addition to this, I've seen the renewal invite sent to Mr M and I can see LV did remind Mr M that he could shop around to see if he 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 Mr M fairly, I think LV also acted in line with requirements set out under ICOBS.

New business quote

Turning now to the new business quote which produced a lower price through a comparison site. I do acknowledge why this led Mr M to question why his renewal price was much higher, and why this might suggest LV's renewal quote wasn't compliant with the relevant Financial Conduct Authority ("FCA") fair pricing rules.

The rules for general insurance pricing 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 M was offered his renewal by LV, so they did need to follow these at the time. And, having carefully reviewed the information provided by LV, I'm satisfied they haven't made a mistake or failed to offer Mr M an ENBP.

I say this because the information shows the two policies weren't like for like. Firstly, the new business quote was obtained on a separate day to the renewal price being generated and was through a different sales channel. Secondly, the policy limits weren't the same, with the renewal quote being based on higher claim limits. And changes in the claim limits will generally have an impact on the price of a policy. So, I haven't seen any evidence that LV acted in a manner which wasn't consistent with the fair pricing rules.

Mr M's request for alternative quotes

I understand Mr M spoke with a call handler at LV, and this is when he first discovered they offered three levels of cover, with Mr M's policy being the highest level of cover. During the call, and following this, Mr M made a number of requests for LV to provide a quote for the first and second levels of cover and with specific claim limits, and also without bike cover being included. LV have signposted Mr M to their Service team who they say will be able to assist him if he'd like to make amendments to his policy to see what impact this has on the price. So I can't say LV have ignored Mr M's requests as they've set out their process.

That said, I do acknowledge Mr M is concerned LV haven't provided the information he says he needs. LV have said customers can request to change their policy cover at any time, but this needs to be customer led as it's the customer that will need to ensure the changes still provide them with the cover they need. LV say they can't show every possible level of cover. They've also described how certain changes will lead to different cover levels becoming applicable or inapplicable. So, taking this into account, I don't think LV's explanation here that Mr M would need to contact their Service team to make the changes to his policy to then determine the level of cover which would be available and its price, to be unreasonable here. I acknowledge Mr M's concern here is that he wants to know what cheaper options are available and appropriate to meet his needs. So I think a way forward here would be for Mr M, as suggested by LV, to go through his policy with their Service team and discuss any amendments and needs to determine what levels of cover are available.

Premium taken from Mr M's bank account

The information shows LV sent a renewal invite to Mr M and this also set out that Mr M's policy would be automatically renewed, the date this would happen, and that the premium would be taken using the card details they had on file. The renewal also said Mr M would need to let LV know if he wished to opt out of automatic renewal and the steps he would need to take to do this.

A further letter was sent a few weeks later which confirmed the policy was set to automatically renew and again explained LV would be taking payment from the card details they had on file. Between the dates of these renewal letters, and up to the point LV debited the premium from Mr M's account, while there were email exchanges between Mr M and LV about the price and Mr M's request for alternative quotes, I can't see Mr M at any point opted out of the automatic renewal process or otherwise asked LV not to renew his policy.

I acknowledge Mr M says that LV shouldn't have taken any money from his account while there was an ongoing dispute concerning the level of cover. The renewal letters clearly set out the policy was set to automatically renew and the steps Mr M needed to take if he didn't

want to renew. Given Mr M didn't take these steps, I can't say LV acted unreasonably in taking payment of the premium. While it's clear Mr M was asking for further information, and I do acknowledge Mr M feels this amounted to an ongoing dispute, I don't believe there was anything in Mr M's emails which ought reasonably to have made LV aware that Mr M didn't want his policy to renew. Therefore, there would've been a risk to Mr M of potentially being uninsured had LV not taken steps to renew his policy. So, given this risk combined with there not being evidence of Mr M following the process to opt out or make it clear to LV that he didn't want to renew, I don't think LV have acted unreasonably here.

I wish to reassure Mr M 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 M and Mr M to accept or reject my decision before 21 March 2025.

Paviter Dhaddy
Ombudsman