

The complaint

Mr C has complained about his property insurer Royal & Sun Alliance Insurance Limited because, at renewal, his premium increased by 79%.

What happened

Mr C had cover provided by RSA. In November 2023 he made a claim for tracing and accessing a leak. The claim was settled.

In July 2024 Mr C's policy was due for renewal. He noted the price had increased sharply – it was 79% more than the year before. He complained to RSA. RSA carried out checks and determined his policy had been priced correctly. In a final response letter, it explained that a number of factors had occurred which had increased the price, including what it referred to as the escape of water claim, and said Mr C was free to shop around if he was unhappy with the policy. Mr C complained to the Financial Ombudsman Service.

Our Investigator, having enquired with RSA about how it had priced Mr C's renewal, was satisfied it had treated him fairly. So he wasn't minded to uphold the complaint.

Mr C said he was disappointed to note that no detail had been provided to explain the 79% increase. He noted an article in his local newspaper which said insurance prices in the area had increased by 59%. He said that showed that an increase for him of 79% was unfair. Mr C also said he had not been told that his claim would affect his renewal price. He said it wasn't fair to refer to the claim as one of escape of water, or to compare his situation to others where significant water damage occurs – because that hadn't happened to him. Mr C said he wanted to see the details of claims RSA had used as comparisons/comparable to his when pricing the cover.

Our Investigator considered what Mr C had said. He confirmed the comments didn't change his view on the complaint so Mr C asked for an Ombudsman's decision and the complaint was referred to me. I issued a provisional decision, in which I said:

"I understand that Mr C was shocked to see how much his premium had increased at renewal. I also understand it's frustrating for him that he hasn't been given any meaningful detail from RSA to explain the increase. I further understand that part of the reason Mr C complained to this Service was in the hopes of attaining a detailed explanation. With regret for the disappointment I know this will cause Mr D, that is not something that this Service is able to provide.

Pricing is a matter for an insurer's commercial judgement. What that means in practice is that it is up to an insurer to decide, when setting prices, what factors to take into account, and to what degree each affects the ultimate price. And each insurer will form its own views in these respects. Meaning that prices across the market will differ. This Service won't interfere in matters of commercial judgment. So we won't tell an insurer what it can and can't take into account or to what degree something should be factored in.

Because each insurer has its own individual views on the issues that affect how it prices cover, any pricing detail is commercially sensitive data. That means that anything an insurer shares with this Service about the way it has priced a policy is treated as confidential information. As such it isn't something we can share, either directly with individuals or as detail within a decision.

What we will do is ask an insurer to demonstrate to us that it priced the cover for the complaining policyholder in line with its pricing criteria. That is criteria which is applied to all policyholders and means that any which present generally the same risks will be priced in the same way.

That said, I think Mr C has raised a valid concern about the claim. RSA, like many insurers has applied some loading to the cover offered to Mr C at renewal because he had a claim the previous year. But I note that RSA has explained that the loading it applied was in respect of an "escape of water" claim, while Mr C said his claim was for trace and access only. I asked RSA for its policy wording and Mr C's claims file to see if its decision, to view this incident as an escape of water claim, was reasonable. If I feel it has acted reasonably in that respect then I'll likely say it was fair for it to price its policy in light of an "escape of water" claim. However, if it seems to me that it acted unreasonably, then I'll likely find it was unfair to price the renewal in the way that it did.

Mr C's policy, similar to many on the market, offers him cover for the cost of resolving certain damage. The policy sets out two relevant instances of damage in this situation (numbered as in the policy):

- 4 Water escaping from washing machines, dishwashers, fixed water or fixed heating systems.*
- 17 Trace and access. Finding a leak: if it's necessary to remove and replace any part of your buildings to find the source of a water or oil leak from a heating or water system, we'll pay the cost.*

It's of note to me that these two instances, where damage might be caused to the property, are set out separately and there is nothing in the policy wording for each of the covers that links it inextricably to the other. I'd add here that some insurers do choose to require a valid escape of water claim to have been accepted on the policy for any cover it might also offer for tracing and accessing a leak to apply. RSA hasn't chosen to do that here. Rather, under this policy, if there is a leak and the policyholder claims for the cost of tracing and accessing that leak, the policy will respond to that individual and specific claim.

So I considered the detail RSA held about the claim Mr C made. I note that a pipe on the outside of Mr C's home was found to be leaking, and that pipe was situated behind wood cladding. The cladding had to be removed to access the pipe. The file notes at several points record and emphasize that this is a trace and access claim only with no water damage. Seemingly loss adjusters were handling the claim for RSA. The file notes show that RSA directed the adjuster to set out a scope of work for what necessarily had to be removed and then reinstated to access the leak. There was no direction for work to be factored in for resolving water damage – presumably because there was no water damage. Settlement was then made to Mr C on the basis of that scope for work needed to remove and reinstate the area necessary to access the leak. I'm satisfied that Mr C made a claim for trace and access and that RSA handled and settled that claim accordingly.

Given the policy wording and the claim RSA accepted, handled and settled, as described above, I'm not persuaded it's fair for RSA to price Mr C's renewal on the basis of him having made and it having settled an escape of water claim. Yet that is what it has said it did, both to Mr C in its final response letter and in reply to our Investigator during the complaint. I'm going to require it to recalculate the renewal price – based on a trace and access claim

being made, rather than an escape of water one – and if the recalculated price is less than what Mr C paid at renewal, it will have to refund him the difference, plus interest.

I'd like to try and manage Mr C's expectations at this point though. I'm mindful that the escape of water claim only accounted for part of the change in price which occurred. From what RSA has said, that was a relatively small part. So I think it's unlikely that any recalculation RSA does following my final decision, if it remains the same and Mr C accepts it within the timeframe given, will result in most of the increased sum being reimbursed to Mr C.

I think Mr C has been very frustrated by the pricing situation. Although I bear in mind that a great deal of that frustration comes from the fact RSA can't reasonably give him as detailed an answer on the pricing issues as he'd like. However, RSA never answered Mr C's concerns about why it was referencing an escape of water claim which Mr C had not made and it had not handled. I think Mr C was upset and frustrated by that. And his renewal price was affected to some extent by that classification. A classification I've found was unfair and unreasonable. So I think RSA should pay £100 compensation to Mr C.

Finally, while I know that RSA's claim notes refer to this as a trace and access claim, I don't know how it recorded the incident more widely, both internally and externally. In the event it has been recorded erroneously anywhere as an escape of water claim, I'm going to include a direction requiring RSA to amend any internal and external records to show Mr C made, and it settled, a trace and access claim."

Mr C said he was happy with my findings. RSA disagreed with what I'd said. RSA's comment prompted me to review the redress I'd provisionally suggested awarding. I issued some further findings to explain my revised view on what RSA should do.

My revised, or interim, findings were:

"I'll confirm here that I've read RSA's two replies. But, as before, due the confidential nature of pricing detail, I can't share much content from them. Having read them they satisfy me that my provisional awards need to be changed – but not the general outcome.

Essentially RSA has said that it thinks it was right to log this as an "escape of water". The thinking from it being, I think, that just as escaping water sometimes causes damage it also drives the need, where that water is escaping because of a leak, for a leak to be traced and accessed (so it can be repaired thus preventing more damage). I've some sympathy with that view. But RSA's policy doesn't require water damage to be accepted under the policy for a T&A claim to be agreed, and it would usually only be a water damage claim which is referred to as one of "escape of water". So RSA should have systems robust and specific enough to reflect that.

It's not for me to make RSA change the way it operates. I make the point above because it feels unfair to me for Mr C to have made a T&A claim, which RSA accepted as such, only for his renewal to have been priced as though he had made an escape of water claim. I emphasise that the policy wording here has these two issues as separate, independent claimable events under the cover.

So I'm still of the view that RSA acted unfairly in this respect when it priced Mr C's renewal on the basis of an escape of water claim. But the explanation RSA has given suggests that it won't be able, due to its systems, to re-price the renewal in the way I'd suggested. Its response also suggests that it won't be able to log the T&A claim as anything other than an escape of water claim – with that claim classification likely then being reflected on external claim databases. Which brings me round to me changing my provisional awards.

As I think RSA has acted unfairly, but noting it can't effectively re-price the renewal, I'm going to say what sum I think RSA should reimburse Mr C. Mr C's total increase at renewal was around £400. I said provisionally that the loading for the claim applied by RSA only made up a relatively small percentage of the overall increase. Given what I've seen, I think it's fair to say that RSA should reimburse Mr C £100 in respect of the renewal premium. To that it will have to add interest, applied from the date Mr C paid the premium or, if Mr C paid monthly, from the date he made his first payment, until settlement is made.

As RSA cannot change the claim classification and this may be reflected on external claim databases, I think RSA should provide a letter for Mr C which, if he wishes, he can share with other insurers. That letter should confirm that Mr C made, and it accepted, a claim for T&A only and that no damage was caused on account of any escaping water.

My point regarding compensation remains. I still think RSA should pay £100 compensation for upset caused."

RSA said it had no further comment to add and that it would accept the decision. Mr C did not provide a further reply.

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 note RSA is agreeable to my suggested outcome and redress. I note Mr C has not made a further reply but that, prior to my addressing the issue of quantum in my interim findings, he was happy with what I'd set out provisionally as the direction for my final decision, which largely hasn't changed.

Having reviewed matters, I'm satisfied by what I said provisionally, as amended by my interim findings. Given RSA's reply and that Mr C made no further comment, there's nothing more for me to comment on at this stage. But I will confirm that my provisional and interim findings, are now those of this my final decision.

Putting things right

I require RSA to:

- Pay Mr C £100 as reimbursement of his renewal premium, plus interest* applied from the date Mr C paid the premium or, if Mr C paid monthly, from the date he made his first payment, until settlement is made.
- Pay Mr C £100 compensation for upset.
- Provide a letter for Mr C to share with other insurers, if he wishes to, which confirms that Mr C made, and it accepted, a claim for T&A only and that no damage was caused on account of any escaping water.

*Interest is at a rate of 8% simple per year and paid on the amounts specified and from/to the dates stated. HM Revenue & Customs may require RSA to take off tax from this interest. If asked, it must give Mr C a certificate showing how much tax it's taken off.

My final decision

I uphold this complaint. I require Royal & Sun Alliance Insurance Limited to provide the redress set out above at "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or

reject my decision before 15 April 2025.

Fiona Robinson
Ombudsman