

The complaint

Miss H is unhappy with the premium U K Insurance Limited said it would charge at renewal of her pet insurance policy and that it hasn't increased the policy cover limits.

What happened

Miss H has had pet insurance with UKI for a number of years covering her two dogs. In July last year she complained to UKI her premium was due to increase to around £423 a month. And she said the per condition amount the policy would pay out (£8,000) hadn't increased during the time she'd had the policy.

UKI said that limit had been made clear to Miss H when she took out the policy (and this wasn't a 'lifetime' policy). Following reviews it was satisfied it remained sufficient for the majority of its customers. And it thought the renewal premium had been calculated correctly. However, Miss H could increase her voluntary excess to bring the monthly cost down to around £337 a month (which I understand she agreed to do).

Our investigator was satisfied this wasn't a 'lifetime' policy. And he thought the online information UKI had provided when it was sold made clear the basis on which cover was being provided. He considered pricing information provided by UKI and was satisfied Miss H's renewal premium had been calculated correctly (taking into account the claims she'd made). He thought she'd been treated the same as other customers in her position.

He also thought UKI had made clear what the per condition limit the policy offered was. There was no requirement in the policy for it to increase that amount and it wasn't inflation linked. UKI had reviewed the limit and said it wasn't out of line with that offered by other insurers. And the vast majority of its customers didn't reach that limit. Miss H had only done so on some of the claims she'd made.

And the decision on what condition limit should apply to the policy was a commercial one for UKI to make. If Miss H was unhappy with the ongoing cover UKI was offering she could look for an alternative policy and some did include cover for pre-existing conditions.

Miss H didn't agree:

- She didn't think UKI had acted in line with the relevant rules including the requirement to provide clear, fair and not misleading information to policyholders. In particular she didn't accept this policy shouldn't be classed as a lifetime one given it provided ongoing cover for conditions as long as the policy remained in place.
- She didn't accept the policy limit reflected market conditions and thought where a surgical intervention was required the policy limit was clearly insufficient. And she thought UKI's decision not to increase the cover limit was placing a policyholder at a significant disadvantage given rising veterinary costs since she first took cover out.
- UKI had continued to increase premiums for the policy without increasing the cover limit meaning policyholders were now paying more for less protection which she didn't think was fair. And she thought the risk factors associated with her dogs had been taken into

account in the premium UKI initially charged for the policy so it was unfair of it to then increase the premium once those risks materialised.

- She said there hadn't been transparency about how premium increases were calculated meaning it was difficult for customers to make decisions about the future affordability of the policy. And she wasn't able to take out alternative cover because her dogs had pre-existing conditions and most insurers wouldn't provide equivalent cover where that was the case; any available policy would likely cost significantly more or offer less coverage.

I issued a provisional decision on the complaint last month. In summary I said:

I've thought first about whether UKI has correctly calculated the premium increases for Miss H's policy. In doing so I've taken into account that insurers are entitled to decide how much to charge for the insurance cover they provide. It's up to them how much they increase their premiums by and it's common for the percentages of increase to vary from year to year. I don't have the power to tell a business what its insurance should cost. I would be, in effect, determining or telling a business how it should operate – and that's not my role.

So I can't say the cost of Miss H's policy is too high, she should have been charged less for the policy or that she should be charged less in the future. And the policy terms do allow UKI to change the premium at renewal. Miss H says she's paying more for the same level of cover (because the per condition limit in the policy hasn't increased). But the premium isn't solely based on the relationship between the premium and that amount. It takes into account other risk factors including the age of her pets, the increase in veterinary fees and her claims history. And I think if the claim limit on the policy had gone up it's likely the premium would have increased by even more than it did to reflect the increased risk to UKI of having to pay out higher value claims.

Miss H says the risk factors associated with her dogs were taken into account when UKI initially offered cover. But while that may be the case those dogs are now older and Miss H has subsequently made a number of claims on the policy. So some of the possible risks have now manifested themselves. And I think that's something UKI can reasonably take into account when assessing the ongoing risk of providing cover and what premium to charge for this; a pet's claims history can impact the likelihood of future claims as it's a potential indicator of its overall health.

Looking at the information UKI has provided I'm satisfied it based its decision on the correct information. I haven't seen evidence to suggest UKI has treated Miss H any differently to how it would have treated any other policy holder in the same position. So I don't think UKI has done anything wrong in relation to the renewal premium it said it would charge Miss H.

Miss H says her policy should be regarded as a lifetime one. Lifetime pet insurance policies normally provides cover for a set amount each year for as long as the insurance policy remains in force. Each time the policy is renewed, the full amount of cover becomes available again. This policy is different as it provides a fixed amount of money to treat each condition for as long as the money lasts. Cover continues for each condition until the maximum amount is reached, as long as the policy remains in force and premiums are paid. So this isn't lifetime cover; it's a maximum benefit policy. And it appears as part of her online application Miss H would have seen information which explained this wasn't a lifetime policy but covered every individual accident or illness up to £8,000.

Miss H hasn't said she wasn't aware of that or the basis on which cover was being provided. Her point is that limit hasn't changed in the time since she took the policy out (despite increases in veterinary charges in that period). It's clearly correct that the £8,000 per condition limit the policy contains hasn't changed. But the policy terms don't say it will and I

haven't seen anything to suggest Miss H was given any indication it would when she took cover out. UKI says it has reviewed the limit and is satisfied that it isn't out of line with other providers. I've also reviewed cover offered by some other insurers and their maximum benefit policies all have a lower per condition limit than Miss H's. And UKI says its limit is sufficient to meet 98% of the claims it receives.

I appreciate that limit has been exceeded by some of the claims Miss H has made. But it's ultimately a commercial decision for UKI to make on what limit to set and what premium to then charge for the risks associated with that. For the reasons I've explained I don't think it's acted unfairly in declining to increase the limit provided to Miss H. If she'd wanted a policy that operated in a different way it was open to her to take out a lifetime policy (where, as I've said, the full cover amount normally becomes available again on renewal). But that would likely have come at a higher cost.

Nevertheless, I agree with Miss H that the policy she did take out does share some features of a lifetime policy. In particular the policy provides ongoing cover (without a time limit) for conditions up to the limit specified in it. And I think someone would take out a policy like this with the intention of retaining it on a long term basis and likely for the lifetime of their pet.

So it would be important for a consumer to be aware from the outset what the cost implications of that might be. And, as Miss H has said, under the relevant rules in place at the time UKI was required to provide clear, fair and not misleading information about the policy. That means it should have drawn a customer's attention to the main provisions of the policy and its significant limitations and exclusions. It would then be for that customer to make their own decision as to whether the policy was right for them.

I accept it wouldn't have been possible for UKI to provide full transparency about the future cost of the policy as it wouldn't have known what that would be. So it might always have been difficult for Miss H to understand whether it would remain affordable for her in future. But, as I've explained, it's in the nature of these policies that someone would expect to keep them for the lifetime of their pet. So I think Miss H did need to understand that the cost of the policy might increase significantly over that period and to the extent it could become unaffordable for her.

I've not seen clear evidence to show UKI did make that clear to her. The policy terms do say "We may change any details relating to your policy and premium at each renewal. Your pet's medical history and claims' history will be taken into account". But I haven't seen anything to show Miss H was provided with any more information. So she wouldn't have known, for example, the significant nature of premium increases for a policy of this type or that there's no limit on how much the costs might increase by.

I've gone on to think about the impact of that failing. Miss H took out pet insurance, so she clearly wanted some type of cover for her pet. And, as she chose to take out a policy like this, she had an interest in the greater level of cover it provided. I think it's likely Miss H would still have gone ahead with this policy, even if she'd known the premium could increase significantly in the future.

But I do think that increase is likely to have come as a shock to Miss H and will have caused her distress. She says when she first took out cover in 2016 she was paying around £70 a month (£840 a year). The figures UKI has provided only go back to the following year but I can see at that point Miss H was paying £914 a year (so around £76) a month.

However, at renewal last year the cost of the policy had increased to around £423 a month (or over £5,000 a year). I appreciate Miss H was able to reduce that cost by increasing her voluntary excess but that still meant she was paying over £4,000 a year. That's a very

significant increase. Miss H had made a number of claims on her policy so might reasonably have thought her premiums would increase but I think the extent of that increase would have come as a shock to her. And because her dogs now have pre-existing conditions and are older Miss H will find it more difficult (though probably not impossible) to move to an alternative insurer which will provide cover for them.

In my view Miss H is likely to have been caused a reasonable amount of distress by the significant and unexpected premium increases. In order to recognise the impact of that on her (caused by UKI not providing clear information about the potential for the premium to increase when the policy was taken out) it should pay Miss H £500.

Responses to my provisional decision

UKI provided an extract from a renewal letter which it said contained a paragraph Miss H would have seen when taking out the policy. And that highlighted factors which could affect the premium and said as a pet got older a policyholder would see a rise in this.

Miss H said she continued to feel the premium increase was unfair and disagreed that she'd have taken out the policy if she'd been fully aware of how the premiums would increase. However, she said she was grateful for my review of her complaint and appreciated the £500 for the distress and inconvenience she was caused.

So I need to reach a final 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.

UKI appears to be arguing the paragraph it's referenced would have met Miss H's information needs in relation to future premium increases. I don't agree. As I've already explained I think Miss H needed to understand the cost of the policy might increase significantly over time and there was no limit to how much costs might increase by. She also needed to understand the impact claims would have on that and the potential for a co-payment to be introduced when her pet reached a certain age. I don't consider the paragraph UKI has highlighted would have made that clear to Miss H so my view remains that it didn't meet her information needs.

Miss H says if she had understood the extent to which premiums could go up she wouldn't have taken this policy. I accept that's possible but as Miss H decided to take out this sort of policy I do think she had an interest in the more extensive cover it provided. And even if UKI had provided her with clearer information it wouldn't have been able to tell her the exact amounts her premiums would increase by. I'm not satisfied she would have acted differently if given clearer information. But I do think she was caused avoidable distress and inconvenience by what UKI got wrong and £500 is appropriate to recognise that.

My final decision

I've decided to uphold this complaint. U K Insurance Limited will need to pay Miss H £500. Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 5 May 2025.

James Park
Ombudsman