

## **The complaint**

Miss G is unhappy with the increase in the cost of her policy, at renewal of her lifetime pet insurance policy.

## **What happened**

Miss G has had pet insurance with Red Sands Insurance Company (Europe) Limited for a number of years covering her cat, hereafter referred to as S. When she first took out her policy in November 2011 for S, the monthly cost was £5.12. In 2024, Miss G received a renewal invite for her policy, and was told the monthly cost would be £61.21.

Miss G complained to Red Sands about the increasing cost of her premium. Red Sands didn't uphold Miss G's complaint about the price of her policy, citing several factors that have impacted the cost of pet insurance in recent years.

Our Investigator explained that although the price of the renewal premium was more than Miss G was expecting, Red Sands had dealt with Miss G fairly and hadn't singled her out. The Investigator did find that the information provided about the cost of the policy for future years, when it was taken out in 2011, could've been clearer. The Investigator said Red Sands must pay Miss G £400 in recognition of this poor service, and the impact on Miss G. Miss G didn't agree and so the case has been passed to me for 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 agree with the Investigator's findings and outcome on Miss G's complaint. I understand Miss G 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.

I think it's important to mention here, 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.

Red Sands has provided me with confidential business sensitive information to explain how Miss G's renewal price was calculated in 2024. I'm afraid I can't share this with Miss G because it's commercially sensitive, but I've checked it carefully. And I'm satisfied the price has correctly and fairly been calculated and I've seen no evidence that other Red Sands

customers in Miss G's position will have been charged a lower premium. I'm satisfied Red Sands has priced Miss G's policy correctly and fairly in 2024, and I haven't found reason to uphold her complaint about this issue.

I note Miss G held a lifetime policy for S. And lifetime policies are usually more expensive than standard policies as they provide a greater level of cover. But there are also different considerations surrounding the long-term cost and cover for customers with these policies, as the cost doesn't stay the same for the life of the policy and will generally increase each year at renewal, as the pet gets older and the cost of veterinary treatment goes up. The cost can also increase due to claims, changes in insurance premium tax or if an insurer re-evaluates the risk. There's no limit to how high the cost could be.

I accept it wouldn't have been possible for Red Sands 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 G to understand whether it would remain affordable for her in future. But, 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 G 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 Red Sands did make that clear to Miss G. I haven't seen anything to show Miss G was provided with any relevant cost information in respect of how the price would be impacted at renewal. 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 G took out pet insurance, so she clearly wanted some type of cover for S. 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 G 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 G and will have caused her distress. When she first took out cover in 2011 she was paying £5.12 a month. However, at renewal in 2024 the cost of the policy had increased to £61.21. Miss G might reasonably have thought there would be some increase given S's increasing age, but the size of the increase would have been unexpected and would have caused some distress.

As the seller of the policy Red Sands also had a responsibility to provide clear, fair and not misleading information to Miss G when she took this policy out. The relevant rules (the Insurance Conduct of Business Sourcebook – ICOBS) say it needs to take reasonable steps to provide a customer with "appropriate information about a policy in good time and in a comprehensible form so that the customer can make an informed decision about the arrangements proposed".

I've thought about the impact on Miss G and I'm satisfied the £400 our Investigator recommended is reasonable compensation for what went wrong in the selling of the policy. I say this because in my view Miss G is likely to have been caused distress by the significant and unexpected premium increase.

Miss G had made a number of claims on her policy so might reasonably have thought her premiums would increase. But the extent of that increase would have come as a shock. And because S is now older Miss G will find it more difficult (though probably not impossible) to move to an alternative insurer which will provide cover for S. In order to recognise the impact

of that (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 G £400.

Miss G says the compensation doesn't cover the extra amount she now has to pay, but it isn't intended to cover that; it's to acknowledge the distress and inconvenience she has been caused.

### **My final decision**

I've decided to uphold this complaint. Red Sands Insurance Company (Europe) Limited will need to put things right by paying Miss G £400.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 4 September 2025.

Neeta Karelia  
**Ombudsman**