DRN-5501934

The complaint

Mr S complains about the cost of his combined buildings, contents and car insurance policy with Admiral Insurance (Gibraltar) Limited.

What happened

Mr S has had a subsidence claim ongoing for some time. He complained that when he renewed his policy in 2024 the premium doubled, and he could not shop around or change insurance providers due to the ongoing subsidence claim.

Admiral said the premium had increased due to changes in the market, the increasing cost of materials and labour and of replacing household goods, and general inflation. It said the premium had been calculated correctly and Mr S was made aware of the premium before he agreed to the renewal.

When Mr S referred the complaint to this Service, our investigator said while Admiral had provided an overview of the general cost increases, it hadn't given a detailed breakdown, so she couldn't be satisfied the premium was calculated fairly. And Admiral didn't have a process to consider where a customer might become financially vulnerable.

The investigator said it was likely the premium would have increased, but Admiral hadn't shown this was done fairly. She recommended that Admiral refund 50% of the premium increase for the buildings part of the policy, together with interest.

Mr S accepted the investigator's view but Admiral disagreed and raised a number of points, including:

- Recommending a refund of 50% of the premium goes against the principle that it's not the ombudsman's role to tell an insurer what price it should charge.
- It has evidenced how the premium was calculated and how the changes in the base rate of insurance caused an increase.
- The base rate was the main reason for the increase. This has been driven by the cost of claims, which has been increasing over the last few years. Inflation has driven an increase in the cost of materials and labour. As rebuild, repair and replacement costs go up, these costs are reflected in premiums.
- The base rate increased by 62%. When applying its rates - which are applied as percentages - such a high increase in the base rate would have a significant affect.

The investigator considered Admiral's comments but didn't change her view, which she said was based on Mr S' individual circumstances, including the ongoing claim and that he didn't have the option to find insurance elsewhere because of this.

As no agreement has been reached, I need to make 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.

Mr S' insurance was a combined policy for car, buildings and contents cover. There was a small increase in the premium for the motor cover, but the large increase was related to his home insurance and that's the subject of this complaint.

Insurers are entitled to decide how much to charge for the insurance cover they provide and this can vary from year to year. I don't generally have the power to tell an insurer how much it should charge. I would in effect be telling a business how it should operate, which is not my role. But when deciding a complaint, I can consider whether a customer has been treated fairly and, if not, how to put things right for that individual customer.

In making my decision I need to consider what's fair and reasonable in all the circumstances of the case, taking into account relevant law; regulators' rules and guidance; codes of practice; and (where appropriate) what I consider to have been good industry practice at the time.

In this case, that would include the ABI Guidance on continuation of cover following a subsidence claim, which is indicative of good industry practice.

The ABI Guidance says the insurer handling the claim should normally continue to provide subsidence cover where the repair has been carried out under the insurer's direction, or with their approval, which is the case here. That reflects the confidence an insurer should have in its claims handling - if a lasting and effective repair is carried out, that should mitigate against future risk.

Admiral has offered insurance, but with a much higher premium. I've considered whether that's fair in the particular circumstances of Mr S' case.

Admiral says the large increase is mostly driven by an increase in its base rate, as a result of factors that include inflation, with increasing costs for materials and labour, and for replacing household goods.

The base rate increased by 62%. This level of increase in the base rate would have a significant effect when the various rates are applied as percentages to that base rate. Admiral says it's not possible to demonstrate exactly how the premium was calculated, but significant percentages were applied due to the subsidence history and resulting claim (as well as other rates). It would expect a higher increase compared to a property with lower percentages applied.

The premium may have been calculated in line with Admiral's rating factors but, while Admiral has provided an overview of the general cost increases, it hasn't been able to demonstrate precisely how it was done, or give a detailed breakdown that would satisfy me the premium was calculated fairly.

I've also taken into account that with an on-going subsidence claim, it's unlikely Mr S will be able to find reasonably priced insurance elsewhere. This is why the ABI guidance on continuation of cover is in place. An insurer dealing with a subsidence claim should offer continuous cover to a policyholder (including subsidence cover) on reasonable terms, given how difficult it would be for a consumer in Mr S' situation to move insurers.

With the Consumer Duty, an insurer should support a policyholder, and consider if someone is in a vulnerable situation when dealing with them. I'm not satisfied that Admiral has fully taken Mr S' individual circumstances into account – especially in relation to the difficulty he is likely to have trying to obtain insurance elsewhere when he has an ongoing claim.

And Admiral doesn't appear to have any process in place if a customer approaches it to say the policy costs too much and this could cause them to become financially vulnerable.

Mr S has explained how difficult it was for him to continue with the insurance, when faced with an increase in the premium for the home insurance from around £2,600 to around £4,600. Where customers are experiencing financial difficulties or vulnerability, I would expect firms to treat them positively and sympathetically. In this case, it doesn't appear that Admiral took Mr S' needs into account or took any real steps to assist him.

It's likely the premium would always have increased but Admiral hasn't shown it has treated Mr S fairly, taking into account his individual circumstances.

In the particular circumstances of this case, it would be fair to refund 50% of the premium increase for the buildings part of the policy.

My final decision

I uphold the complaint and direct Admiral Insurance (Gibraltar) Limited to

- refund 50% of the premium increase for the buildings part of the policy (not the motor part) that Mr S paid for the policy following the renewal in June 2024, and

- pay interest on this from the date Mr S paid the premium to the date of payment at 8% a year simple.

If Admiral Insurance (Gibraltar) Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr S how much it's taken off. It should also give Mr S a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 1 July 2025.

Peter Whiteley
Ombudsman