

The complaint

Mr and Mrs R complain Acromas Insurance Company Limited ('Acromas') increased their premiums at renewal on their motor insurance policy.

Mr R has acted as the main representative during the claim and complaint process. So, for ease of reference, I will refer to any actions taken, or comments made, as those of "Mr R" throughout this decision.

What happened

Mr R held a motor insurance policy underwritten by Acromas. He says he received an invitation by post to renew this policy in early October 2024. The previous year's premium was around £120 but the renewal price was quoted at over £700. Mr R says he contacted Acromas to discuss this and asked them to specify the reasons and justify the price increase to show this was fair. Mr R says he was not happy with the increase in premium and raised a complaint. He said he had to renew his policy elsewhere at short notice and this caused him distress.

Acromas considered the complaint but didn't uphold it. They said there were many factors that could cause an increase in premium price, and they were satisfied the increase had been fairly calculated. Mr R remained unhappy with the response to this complaint – so, he brought it to this Service.

An Investigator considered the complaint but didn't recommend it be upheld. He explained that - while it wasn't for this Service to tell insurers how much they should charge for cover – we could consider whether an insurer had fairly calculated a customer's premium. And the Investigator said Mr R had received a discount on his premiums in previous policy years, but this discount had since ended. And based on Acromas' new calculations, the evidence showed the premium quoted was correctly calculated. So, he thought they had demonstrated why there was a fair increase in Mr R's premiums.

Mr R didn't agree with the Investigator's outcome. He said Acromas had added the discount initially – and because none of his circumstances or vehicle had changed, he asked whether a penalty was being applied in respect of either hybrid vehicles or vehicles with lithium-ion batteries, or whether a penalty being applied due to age discrimination. Mr R also said he felt Acromas may be ignoring PROD4, Consumer Duty and Fair Value rules, which require firms to ensure customers consistently get fair value and good outcomes.

Mr R asked for an Ombudsman to consider the complaint – so, it's been passed to me to decide.

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 to uphold the complaint in part. My findings are similar to those of the Investigator.

I acknowledge Mr R has raised wider concerns about how Acromas has calculated his renewal premiums and says he thinks they may be ignoring the FCA's PROD4, Consumer Duty, and Fair Value rules. So, I've had these in mind as part of my investigation, as well as any other relevant regulators' rules, guidance and standards; or codes of practice. But having done so, I don't consider them to be the central issue at the heart of this complaint. And because my role is to consider whether Acromas have treated Mr R fairly in regard to this specific complaint; and if not, what they need to do to put things right, this is what I've reviewed as part of this decision.

As the Investigator explained previously, it's not this Service's role to dictate to an insurer what they should charge customers for an insurance policy. This is a decision for them to make based on established underwriting criteria. So, the price they charge, and the methods used to calculate premiums, are a commercial decision for them to make. A wide range of factors are considered, and each insurer will have their own approach and appetite for taking on risk.

Mr R has said no details have changed and so Acromas can't justify the increase, but I don't agree. Acromas explained that at inception, the wrong vehicle details were captured which resulted in Mr R paying a lower premium than he should have done. And as a gesture of goodwill, it didn't ask Mr R to pay the higher premium and treated this as a discount rate. When this discount came to an end, Acromas recalculated Mr R's premiums using the correct vehicle details. This is why the increase in premium appears larger than Mr R might ordinarily feel to be fair.

Acromas sent us their underwriting information which shows how they calculated Mr R's new premium. This information is commercially sensitive, which means I can't share it with Mr R. I'd understand if he was frustrated by this, but we can only get this type of business sensitive information by assuring insurers that we won't share it. I've checked the underwriting information carefully, and having done so, I'm satisfied that it shows an established process when calculating Mr R's premium which would result in an increase at renewal. I therefore think Acromas applied their pricing strategy in a fair manner.

I also can't see any evidence Mr R's premium increased as a result of penalties for hybrid vehicles, vehicles with lithium-ion batteries, or that a penalty was applied due to Mr R's age.

I do appreciate Mr R's concerns over an increase in his premiums when he'd been a customer for several years and not made any claims. And I understand that it may sound unfair that an insurer can choose to set the price for a policy in the way they see fit. However, the insurance market is competitive, and consumers' choices are often driven significantly by price. Consumers have freedom to choose between many insurers in the market and can avoid those companies that they feel are too expensive or poor value for money.

I recognise Mr R feels strongly about this and will be disappointed with my decision. But based on everything I've seen I don't consider Acromas has acted unfairly and the evidence I've seen satisfies me Mr R's premium has been calculated correctly.

My final decision

For the reasons given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R and Mr R to accept or reject my decision before 5 June 2025.

Stephen Howard
Ombudsman