

The complaint

Mr W complains about an additional premium he was charged by U K Insurance Limited ('UKI') after he changed the vehicle on his policy.

What happened

Mr W held car insurance provided by UKI. His policy renewed on 5 December 2023 with an annual premium of £301.06.

In March 2024, Mr W added an additional car to the policy for temporary cover of 90 days and was charged an additional £113.37. However, in June 2024, instead of removing the additional car from cover, Mr W left this on the policy and removed the original car instead. This resulted in an additional premium of £62.49 being charged.

Mr W complained about this, as he was expecting the premium would reduce rather than increase after this change given that the car removed from the policy was of a higher brake horsepower ('BHP') than the car which remained on cover.

UKI provided a final response to this complaint on 26 June 2024. It acknowledged the new vehicle Mr W added to his policy had a lower BHP but said mid-term policy changes are system generated based on the risk rating of the change to the policy and these individual rating factors change daily. So, it decided not to uphold the complaint as it didn't think it had made any error.

Dissatisfied with this response, Mr W brought his complaint to us. Our investigator didn't think UKI had acted unfairly. She said UKI had provided underwriting evidence to show how it had calculated the premium and she thought this showed UKI rated the new car as a higher risk and as such she didn't find it had unfairly increased the premium.

Mr W didn't agree and said he still didn't think the premium increase made any sense due to the original car being in insurance group 44 and the replacement car being in group 18. Because Mr W didn't agree, the complaint was referred 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, while I understand Mr W will be disappointed by this, I've decided not to uphold this complaint. I'll explain why.

I should start by saying that we're not a regulator, so it isn't our role to set rules on how an insurer should determine premiums. But I can look at whether UKI treated Mr W fairly and in line with the policy terms, including whether UKI treated him the same as it would have treated any other customer in his circumstances.

I've begun by looking at the policy terms. These say the insured can make a temporary or permanent change to the policy at any time during the policy year, but this may result in an additional premium. So, the policy terms allowed UKI to charge an additional premium if there was a change of vehicle. This isn't unusual, given that a change in vehicle can affect the material risk presented to the insurer. But a change in vehicle doesn't necessarily mean a higher risk to the insurer. So, I would only expect to see a premium increase if the insurer can show it deemed the newer vehicle overall to present a higher risk than the previous one.

I acknowledge Mr W says the original vehicle had a higher BHP and was in a higher insurance group than the vehicle he changed this for in the policy. So, I can appreciate why he didn't anticipate switching the policy over to the new vehicle permanently would result in a higher premium to pay.

But UKI said that BHP isn't the only vehicle factor it considers for pricing. And while it acknowledged the new car had a lower BHP than the old car, it said there were other factors it considered with the new car which it deemed presented an elevated risk.

UKI has provided confidential business sensitive information which shows the individual rating factors it considered for Mr W's original car and his new car. I can't share this evidence with Mr W because of its commercial sensitivity. But I'd like to assure him I've considered it carefully.

And having done so, I find that it shows overall that UKI considered the new vehicle to present a higher risk than the previous one due to several factors relating to third party liability cover.

When Mr W added his new car to the policy, the premium was calculated automatically based on an algorithm which contained various ratings factors. The underwriting evidence UKI has provided shows that while some individual factors were higher for the previous car than the new car, others – relating to third party liability - were higher for the new car and the overall balance of these factors resulted in the new car being calculated overall to present a higher risk. As a result, UKI charged a higher premium to reflect this higher risk it considered it was taking on.

I acknowledge Mr W doesn't think this should have happened because of the performance of the original car compared with the new car. But the specific factors taken into account and the overall calculation of risk for a specific vehicle are matters which reasonably fall within an insurer's commercial judgment. And since UKI has provided evidence quantifying the ratings factors for the new car against the original car, I think it has shown it treated Mr W the same as it would have treated any other customer in his circumstances.

Since I don't think the evidence shows UKI made an error in how it set the premium for the new car, or that it discriminated against Mr W by treating him differently to any other customer in the same circumstances as him, I don't think it unfairly charged the additional premium.

Ultimately, Mr W added a new car on to his policy temporarily. Having another car on the policy temporarily meant a higher risk as UKI were now insuring two vehicles, so it charged a higher premium. When Mr W decided to make this the exclusive vehicle on the policy, instead of a temporary addition, UKI charged an additional premium for the remainder of the policy year to reflect it would now be insuring what it considered to be a higher risk vehicle for the rest of the policy year. And since I think the evidence shows that premium was determined using a model based assessment of risk, rather than arbitrarily, I don't find UKI acted unfairly.

My final decision

For the reasons I've set out, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 31 July 2025.

Daniel Tinkler
Ombudsman