DRN-5623110

The complaint

L complains that Vitality Health Limited trading as VitalityHealth has excessively and unfairly increased the premium for its private medical insurance.

What happened

L is unhappy with the increased cost for private medical insurance. L said the monthly premium has increased by more than £1,000, taking the renewal premium to £2,630.41 per month. L said it cannot afford the increase and that it's unjustified. L would like the premiums to stay the same as they were the year before.

Vitality said L has made many claims on the policy and that in order to cover those costs, the premium must be increased. It explained the policy is still good value for money considering the value its paid out in claims to date. Vitality also said it's paid out more than £150,000 worth of claims last year for L and that exceeds the renewal cost of the policy by far.

Our investigator didn't uphold L's complaint. He found Vitality had applied the same criteria, when considering the increase, that's applied to all consumers and Vitality had even capped the increased cost – meaning the premium would have been even more expensive but for the cap. He also noted Vitality had paid almost £1 million in claims since 2015 for L.

L disagreed with his opinion. L said one of the policy's dependents has an on-going claim for secondary breast cancer and that without the policy, she'll no longer receive the treatment she needs. L explained the dependent's medication is not available through the NHS in England and Wales but is available in Scotland. L said the consequences of increasing the premium are critical. And so, it's now for me to decide whether Vitality has acted fairly in deciding to increase the cost of the policy.

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 not to uphold it. I know this'll be an extremely disappointing outcome for L, particularly given the upsetting circumstances surrounding one of its employees. I've carefully considered L's testimony, and the consequences outlined in its submissions. But I cannot make a decision solely based on that. The role of this service when looking at complaints about insurance pricing isn't to tell an insurer what it should charge, or to determine a price for the insurance it offers.

The level of premium charged is a matter for the insurer's commercial judgement and so for Vitality to decide. But I can look to see whether I agree L has been treated fairly – so I've considered if there is anything which demonstrates L has been treated differently or less favourably. If I think L has been treated unfairly, I can set out what I think is right to address this unfairness.

But, having carefully considered Vitality's reasons for increasing the premium, I'm satisfied it's done so proportionately and fairly. I'll explain why.

Vitality explained it's paid a high value of claims made on L's policy. I'm persuaded by what it's said here because the evidence I've seen shows the following amounts paid in claims over the last three years;

- During policy year 2022 – 2023 Vitality paid claims worth £113,972.45.
- During policy year 2023 - 2024 Vitality paid claims worth £157,655.17.
- During policy year 2024 - 2025 Vitality paid claims worth £92,104.56.

I'm therefore satisfied the reason for increasing the cost of L's policy was because of the high-risk factor associated with likelihood of more claims for 2025 – 2026 policy year. That said, I've carefully considered the incremental cost of the policy against Vitality's underwriting criteria. L knows this is highly confidential material that cannot be shared. However, I'd like to reassure L that I've reviewed that evidence and remain persuaded by what it says about the price increase.

The evidence persuades me even further that Vitality has acted fairly when applying the price increase, because it's applied a cap to the maximum increase for the year. In other words, based on L's claims history and the insurer's guidelines, Vitality could have increased the price even further, but decided to limit the increase. Vitality explained it does that to ensure fairness for all small business customers, as it recognises without a limit, private medical insurance could quickly become unaffordable due to a high number of claims.

And so, whilst the cost of the policy has increased significantly, I'm satisfied it's because of the high value claims made and not for any other reason. I've also seen evidence which shows how Vitality calculated the premium for the 2025 – 2026 policy year and I'm satisfied the enhanced cost factored the claims history into the renewal cost. I should also say that's a common approach insurers take in these circumstances. Vitality also highlighted the policy still offers fair value and if L disagrees with that, it has the option to consider whether to continue to renew in future. I also highlight Vitality has paid considerably more in claims than L's paid in premiums.

L doesn't agree Vitality's offering fair value here and I understand the reasons behind that. L argued there should be a duty of care upon Vitality to ensure life critical cover remains accessible. But I should say that's not Vitality's role in these circumstances. Vitality's responsibility is to pay for eligible treatment, as defined by its policy, and to offer that in a way that's sustainable to its business model. To do that, Vitality is entitled to assess the risk factors posed by a consumer and to determine the cost of providing that cover. The evidence I've seen shows it's done that in a fair and proportionate way.

L made other subsidiary arguments about Vitality effectively negotiating a reduced price for the cost of the treatment, or to procure the medication so it can be accessed by the treating hospital. But for the reasons already explained by our investigator, that falls outside of Vitality's responsibility as an insurer as it isn't a healthcare provider. And so, I won't be addressing those arguments for the same reasons.

My final decision

For the reasons I've explained, I don't uphold L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask L to accept or

reject my decision before 5 September 2025.

Scott Slade
Ombudsman