

The complaint

Mr Z's complaint is about a significant increase in the policy premiums payable on his pet insurance policy, which he purchased from Insurance Factory Ltd trading as Purely Pets ('Purely Pets') in 2018.

Mr Z says he has been treated unfairly.

What happened

Mr Z took out lifetime cover for one of his pets through Purely Pets in 2018. From then until his renewal in 2025 his policy premiums increased year on year from around £340 to £6,205 in January 2025. Mr Z felt this was unaffordable and unsustainable so cancelled the policy at that point, losing the benefit of lifetime cover for his pet, who I understand had pre-existing conditions for which he felt ongoing cover was required.

Mr Z is unhappy about several things; the explanation he received about the increase in premium, the fact that he has been left in a vulnerable position by no longer having the benefit of lifetime cover for his pet given the premium increases, the unaffordability of the policy, the reasons he was given for the increase which he feels can't be justified and the harm this has caused him. Mr Z wants Purely Pets to refund him for the premiums he feels he's overpaid over the years and to compensate him for the distress and inconvenience this has caused. He also wants future premiums to be adjusted to fairly reflect what should be payable. He's mentioned wanting an assessment of Purely Pet's handling of his complaint too.

Our investigator considered Mr Z's complaint and concluded it should be upheld. She explained that Purely Pets are not the underwriters of the policy so do not set the policy premiums- the insurer does. As such she said that they were not responsible for the bulk of Mr Z's complaints. The investigator did however recognise that Purely Pets, as the sellers of the policy, ought to have warned Mr Z from the outset in 2018 that his premiums could increase considerably. Since bringing his complaint to the Financial Ombudsman Service, Purely Pets offered Mr Z £350 in compensation for their failure to highlight this. The investigator thought this was fair and that Purely Pets should pay him this.

Mr Z didn't feel this went far enough. As such the matter was passed to me to determine. I issued a provisional decision in which I said:

"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 that Mr Z's complaint should be upheld but that the compensation payable to Mr Z should be increased.

Before I explain why, I wish to acknowledge both the volume of submissions Mr Z has made and his strength of feeling about the matter he's complained about. I quite understand why he's so concerned. The premium increases he's experienced over the last 7 years are considerably high and I also understand why he found them unaffordable by the time his

renewal came along in January 2025, such that he felt unable to continue taking out the policy. That having been said, Purely Pets is not responsible for his complaint about these increases, the underwriter of the policy is.

I note that that Mr Z has not made a complaint about the pricing of his policy to the underwriter. If he wishes to do so, he should let the investigator know. For the purposes of this decision I shall concentrate on the matters I can consider against Purely Pets. In doing so I won't be ignoring Mr Z's complaint points, but rather only considering those that I am able to against the seller of the policy. Those I'm unable to consider should be put to the underwriter of the policy if Mr Z wishes to make such a complaint.

Lifetime pet insurance policies by their very nature are subject to steep increases over the lifetime of a pet and are affected by a number of factors, particularly the age and breed of the pet as well as any ongoing claims policyholders make. The information Purely Pets provided about this policy should have made clear to Mr Z what the long-term cost implications of taking out a policy like this might be. I don't think it's in dispute it didn't do that and so Purely Pets is at fault here.

When considering its failure to make the cost implications of a policy like this clear to Mr Z, I've thought about whether Mr Z would still have taken out this policy if he'd been given clearer information. He chose to take out pet insurance, so he wanted some type of cover for his pet. And, as he chose to take out a lifetime policy, he clearly had some interest in the greater level of cover it provided. If Mr Z hadn't taken a lifetime policy, he would've either had no cover at all, and would have had to pay for all his pet's treatment himself, or a reduced level of cover, where he would have found himself in a situation where his pet's ongoing conditions were no longer covered.

So, I think it's likely he would still have gone ahead with the lifetime policy, even if he'd known the premium could increase significantly in the future. When reaching this conclusion, I've taken into account what Mr Z says about taking out lifetime cover with another insurer that might not have increased considerably. He gives the example of cover he obtained for another pet he has. I've thought about this, but Purely Pets wouldn't have known how the insurer of the policy they were selling would calculate premiums going forward. Rather all they would know is that this sort of cover could and likely would increase significantly if a policyholder continued to renew. Equally Mr Z couldn't have known this either, even if he'd shopped around. It would be impossible to determine how a lifetime insurer would price their policies in future years, taking into account their underwriting criteria could change year on year. And the example Mr Z has provided relates to an entirely different pet with a different claims history. So, I'm not persuaded that if Mr Z had taken out cover for his pet with another lifetime insurer, his policy premiums would be much lower.

I've also thought about Mr Z's assertions that he would have sought the cheapest options at the time based on the Money Saving Expert website. That is information he has currently accessed but is not evidence of what he would have used to determine what cover to take out in 2018. And given the cover he has for his other pet also appears to also be lifetime cover, I think it's unlikely he would have sought sort of policy (like 12 month renewable) elsewhere.

However, I do think better information about the policy he did buy would've meant that Mr Z wasn't so surprised and upset when the cost increased significantly – instead this would have been something he was expecting to happen.

I've thought about what the right amount to recognise that is. I can see when Mr Z first took out his policy the annual premium was around £340. The cost increased considerably on his third year of cover after he made a claim on the policy. After the sixth year of cover, Mr Z

made claims each year for three years, thereby increasing the cost of the premiums further. By year eight the policy was priced at around £6,200, increasing by 1,723% and more than doubling from year six to year eight.

I appreciate the most recent increases were driven by claims Mr Z made on the policy as well as his pet's age- it was 13 years old by year eight. And I think he might reasonably have expected there to be a relationship between a claim being made and a subsequent increase in the renewal price when combined with the pet's age. But I think the level of increase is likely to have gone beyond what Mr Z might have expected. And, as I've said, there was also a significant increase in the cost of the policy between 2023 and 2025.

There is nothing in the sales documents supplied by Purely Pets that provides fair warning about this sort of increase but even if it did, I don't think anything it might have said would necessarily have made clear to Mr Z the extent to which his premium was likely to increase as a result of any claim he might make. I'm also mindful of the fact Mr Z took out this policy on the basis it would provide lifetime cover. So, he would reasonably have thought he wouldn't need to shop around because the policy would provide ongoing cover for the life of his pet. And at the point of receiving the 2025 renewal documentation he'd been paying for it for seven years. Even if he had then shopped around for alternative cover, I think it would have been upsetting for him to have to do so.

In any event his pet was by then thirteen years old. And any conditions it had developed (even if some of them haven't yet led to a claim) would be unlikely to be covered by a new policy as they'd be classed as pre-existing. I think that would have made finding alternative cover at a competitive price more difficult. Mr Z's decision not to renew the policy in 2025 will almost certainly mean that his pet is unlikely to be covered for pre-existing conditions under any alternative policy he takes out.

Of course, if it had been made clear at the outset the extent to which the premiums might increase, the distress Mr Z was caused when that did happen could have been avoided. But Purely Pets has accepted it didn't do that.

I've considered the offer made by Purely Pets but in this case, given the level of increase, I don't think £350 goes far enough to properly recognise the impact on Mr Z of what's happened. Taking into account the time he's had this policy for, the level of the premium increase (both in percentage and absolute terms) and the difficulties he'll now have in obtaining cover elsewhere, I think further compensation is appropriate.

Putting things right

I think Purely Pets should pay Mr Z £750 in compensation in total to recognise the distress and inconvenience caused to Mr Z."

I asked both parties to provide me with any more comments or evidence in response to my provisional findings. Both parties have now responded. Purely Pets has accepted my decision. Mr Z has now raised a complaint against the underwriter of the policy with them directly. He's also made some detailed submissions in response to my provisional findings. In summary he says:

- He had no understanding of the broker-underwriter relationship when he took out the policy.
- He's provided further information that might assist me in my finding that it would be impossible to determine how a lifetime insurer would price their policies in future years, taking into account their underwriting criteria could change year on year.
- His buyer profile was active, informed and price sensitive and would have meant he

- would have paid more for stability with another insurer.
- He's questioned the proportionality of the pricing of the policy given he didn't reach his annual policy limit on claims.
 - The position he finds himself in now is that he has no cover in place for his pet as there is no product on the market that will cover it for pre-existing conditions. The impact on him is profound.
 - He wants me to reconsider my position that the sales failing caused material financial detriment not just distress and to make a finding that this lack of transparency materially affected his ability to choose a better value policy.
 - He's asked whether there's a public interest concern that should be referred to the FCA.

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 remain of the view that Mr Z's complaint should be upheld in the same way and for the same reasons set out in my provisional findings.

When reaching this conclusion, I've taken into account what Mr Z had said but his submissions don't change my view of his complaint. His lack of knowledge about the broker-underwriter relationship isn't the complaint I've been asked to determine. So, it's not something I'll be addressing now. But for the sake of clarity Mr Z went to a broker to source him with insurance. And that is what Purely Pets did in this case. The fact that that insurance turned out to increase in price to the extent it did, isn't in my view something the broker could have accurately predicted. There's nothing in what Mr Z has said that persuades me otherwise.

What Purely Pets should have done however was given fair warning given the nature of the policy in question, but not how the underwriter would specifically consider increases each year. I don't think even the underwriter would know that from the outset of a consumer taking out a policy with them because that would involve predicting the future of a policy holder's claims and how they would underwrite risk going forward, which are both unknowns.

I do of course appreciate the financial impact of the position Mr Z now finds himself in but that's not something I can say Purely Pets are responsible for. And it's entirely a matter for Mr Z if he wishes to contact the FCA about the considerable increases possible on lifetime pet insurance policies.

Putting things right

I think Purely Pets should pay Mr Z £750 in compensation in total to recognise the distress and inconvenience caused to him.

My final decision

For the reasons set out above, I uphold Mr Z's complaint against Insurance Factory Ltd trading as Purely Pets and direct them to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Z to accept or reject my decision before 15 September 2025.

Lale Hussein-Venn
Ombudsman