

## **The complaint**

Mr H complains Tesco Underwriting Limited (Tesco) unfairly increased the cost of his policy premiums when he changed his car.

Tesco are the underwriters of this policy i.e. the insurer. Part of this complaint concerns the actions of the intermediary. As Tesco have accepted it is accountable for the actions of the intermediary, in my decision, any reference to Tesco includes the actions of the intermediary.

## **What happened**

On the 2 June 2025, Mr H renewed his motor insurance policy with Tesco. A few days later he contacted it to advise he had changed his car.

Tesco amended the details on his policy and provided a quote for cover which had an additional cost of more than £300. Mr H was unhappy with the increase because his new car was the same make, model and year as his previous car. It was only the colour that had changed.

Tesco confirmed it had calculated the additional premium correctly for the new car. It provided Mr H with three options; to take a new business quote of which it had provided, to change the car on the existing policy or to cancel the policy and Tesco would waive the cancellation fee. Because he didn't make a response to the options Tesco issued a cancellation notice. Mr H then opted to change the car on the policy and paid the additional premium.

Because Mr H was not happy with Tesco, he brought the complaint to our service.

Our investigator didn't uphold the complaint. They looked into the case and said having reviewed Tesco's underwriting criteria they were satisfied that the price increase was specific to Mr H's risk profile. They said It seems likely the length of time he had the new car (amongst other factors) made the difference. They said Tesco provided him with three options and because Mr H didn't make a response to the options it was fair for it to have issued a seven day cancellation notice.

As Mr H is unhappy with our investigator's view the complaint has been brought to me for a final decision to be made.

## **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.

It is important to understand that we're not the industry regulator. That means I don't have the power to tell an insurer or broker how much it can charge for its policies. Neither is it my role to tell an insurer what factors it should take into account when assessing risk.

When calculating what premium to charge individual policyholders, Tesco will take numerous different factors into account – these are likely to include, but are not limited to, the policyholder's postcode, the age of the drivers, the number of fault claims and non-fault claims etc. And different insurers assess risk differently. What is high risk to one may not be to another. Individual insurers may also use different data when assessing the risk posed. But that's not unusual or unfair.

We cannot tell Tesco (or any insurer) that it should use, or discount, specific data. That's because the risk is Tesco's to take on so it will decide how to assess it and will price the policies it offers accordingly. Prices can go up or down, depending on what it thinks the risks are that year for all of its customers.

Providing they treat people fairly, insurers and brokers are entitled to charge what they feel they need to in order to cover a risk. Although I cannot tell Tesco how much to charge Mr H, I can look at whether it treated him fairly.

The policy terms and conditions explains that customers must advise Tesco if they change the car on the policy. It says;

*“Changes you must tell Tesco about*

*You must tell Tesco Insurance about any changes to the information detailed on your statement of fact, schedule and certificate of motor insurance.*

*As a result of the change, your premium may increase or decrease and the terms of your policy may be amended, depending on what the change is. Following any changes Tesco Insurance will advise you of any adjustment (if applicable) to your premium or any changes to the terms’.*

Therefore, I'm satisfied Tesco made Mr H aware that changing his car may change the cost of the policy premiums.

I saw Tesco sent a letter to Mr H on 2 June 2025 as the cost of the original policy premiums hadn't been able to be collected. He contacted it on 5 June 2025 and the original policy premium of £338.40 was paid. At the same time Mr H informed Tesco that he had changed his car to a very similar car, the only change being the colour. He was advised the increase in his policy premium was more than £300. He asked for an explanation of the increase, which wasn't provided.

Tesco told him he could cancel the policy if he was unhappy with the premium. Although he wasn't in agreement with the increase in the cost of the policy premium, he said he didn't want to cancel the policy at that point, he wanted to keep it running and he would get insurance elsewhere..

Because Tesco was aware that Mr H had changed his car it said it is only able to keep the policy running for 14 days to allow him to decide his options. Mr H didn't get back to Tesco, therefore on 12 June 2025 it issued him a seven day cancellation notice. When he rang the next day to discuss this, Tesco explained it was because he had refused to change his car on cover or cancel the policy. I am satisfied this was the correct process and it was fair and reasonable for Tesco to issue this notice because it was aware he no longer owned the car on cover.

To try and help with the cost of his premium I saw Tesco calculated a quote based on him being new business, however this was more than the cost of the mid-term adjustment. Tesco then gave him the options to take the new business quote, or to pay the cost of the mid-term adjustment, or to cancel the policy. He opted to change the car on his existing Tesco policy and paid the additional premium of £321.17.

I agree the price increase was substantial and I understand that Mr H why he was keen for Tesco to fully explain why a change in the colour of a car would make such a difference to his premium. However, the way that the insurance industry operates is that it sells a product for the price it calculates based on numerous commercial factors and the risk it's willing to accept. Insurance companies regularly update how they rate risks and rates continually change, and they may measure and predict risk as they see fit.

It may sound unfair that an insurer can choose to set the price however it likes, however, the insurance market is competitive, and consumers' choices are often driven significantly by price. Ordinarily consumers have freedom to choose between many insurers and can avoid those they feel are too expensive or poor value for money.

In this case Mr H had an opportunity after he was provided with the cost of the mid-term adjustment to shop around and find alternative insurance cheaper elsewhere.

After he made his complaint Tesco did explain to Mr H that the purchase date of his car was a rating factor. It said as he had just bought the car, any reductions to the risk no longer applied, which had increased the cost of his premiums.

Insurers aren't expected to divulge underwriting information either to customers, or competitors. Tesco has however provided our service with this confidential, commercially sensitive information to explain how the price increase was calculated. Having seen this information, I'm satisfied the price was calculated correctly based on the legitimate factors considered by Tesco. Although I agree it was a substantial increase, I can't say that Tesco applied its pricing strategy in an unfair or unreasonable manner.

Therefore, although I know Mr H will be disappointed, I don't uphold his complaint and don't require it to do anything further in this case.

### **My final decision**

For the reasons I have given I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 10 March 2026.

Sally-Ann Harding  
**Ombudsman**