

## **complaint**

Mr R complains about the increase to his British Gas Insurance Limited home emergency cover premium when he upgraded his policy.

## **background**

Mr R had a 'HomeCare 100' policy with British Gas which renewed each year in October. In October 2015 the policy renewed and the monthly premium was £14.52. The policy covered him for breakdowns to his boiler and controls. In April 2016, Mr R contacted British Gas to upgrade his policy to the 'HomeCare 200'. In addition to the cover he had under the '100' policy, this included central heating cover and an annual service visit. British Gas told Mr R that the monthly premium for this policy was £28.79.

Mr R was unhappy with the price he was quoted. He spoke to the customer care team who explained the way in which the price was calculated and said that the number of callouts impacts the price charged.

Mr R then complained to this service. We notified British Gas that we'd received his complaint and it began to investigate it. During the investigation it was discovered that callouts didn't affect the price of the policy. Following further investigations, Mr R was offered the 200 policy for £22.56 per month. Mr R still wasn't happy with the price so British Gas applied a 20% discount. This brought the monthly price down to £18.05. Mr R accepted this offer and the policy was changed from a 100 to a 200 for the remainder of the policy year.

Mr R then asked British Gas if the price would go up again at renewal. British Gas said it was unable to say. But it said the renewal price would be based on the actual base price for the previous year (£22.56) not the discounted price (of £18.05). Mr R said his father had a policy that was cheaper. British Gas said it was unable to discuss another customer's policy with Mr R. It again referred to the factors it took into account when calculating the renewal price.

Mr R remained unhappy with British Gas' response. He said the policy was available to new customers online for less. He asked British Gas to give him a breakdown of how it calculated the price but it said this information was commercially sensitive so couldn't share it with him.

Our adjudicator looked into Mr R's complaint but didn't recommend that it was upheld. She explained how insurers calculated price based on the risk presented. She said she'd asked British Gas to provide her with information about how it priced Mr R's policy. As this information was commercially sensitive, she couldn't share it with Mr R but she was able to check what factors it used when calculating Mr R's price.

She said that Mr R had increased the level of his cover which affected the price he was charged. She said that although Mr R had said he'd be able to take the same policy out cheaper if he was a new customer, she'd not seen any evidence that he could. She said he could send this evidence to her if he wanted and she could look at it. Our adjudicator said she couldn't comment on the forthcoming policy renewal because that was in the future, but Mr R could raise it as a separate complaint with British Gas if he was unhappy when he received it.

Mr R disagreed with our adjudicator. He said the price increase still hadn't been explained, nor why the callouts affected his policy. He said he'd just received his renewal quote and the

price had risen to £19 a month so he was cancelling the policy and taking his business elsewhere. Mr R spoke to our adjudicator and said, in his opinion, the additional cover gained under the 200 policy wasn't worth an extra £6 a month. He said he'd found cheaper products online. He was also adamant that there was something hidden that was pushing his price up because most of the residents on his street had cover with British Gas and they paid less.

Mr R sent our adjudicator screen shots from a price comparison site which showed home emergency cover at cheaper prices. He also said he had ongoing major issues with his boiler. And that the British Gas engineer told him he was 100% sure his premiums were increasing because of the amount of callouts he was having. He thought that this was British Gas' fault for installing a sub-standard boiler and failing to maintain it.

The complaint was passed to me for a decision.

### **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I appreciate that it will come as a disappointment to Mr R, but I'm unable to uphold his complaint; I'll explain why.

Mr R asked British Gas to upgrade his cover. This meant he was asking British Gas to insure more elements of his central heating system than just the boiler and its controls. In other words, the risk British Gas was being asked to insure had changed. The new policy covered all the radiators and included an annual service visit. Because it was being asked to provide emergency cover for more of Mr R's central heating system, British Gas charged more for this. That's why Mr R's premium increased. He was receiving more cover and so was charged a higher price for it. I don't think increasing the price in these circumstances is unreasonable.

Insurers are entitled to assess the risk presented to them and set the price accordingly. What importance insurers attach to certain factors can differ between them. But I don't think increasing the price for increased cover here is unreasonable. British Gas has been able to show us that any customer that increased their level of cover would've been treated in the same way. Although we can't share the information British Gas has provided to us, I'd like to reassure Mr R that there is nothing 'hidden' that has pushed his premium up. His premium has increased because the level of his cover has increased.

British Gas did make an error in initially quoting Mr R an increased monthly premium of £28.79. It's clear that once it investigated his complaint, the price he should've been offered for the 200 policy was £22.59 – approximately £8 a month more than he was paying for the 100 cover. British Gas went on to offer Mr R a 20% discount on this amount, further reducing the price to £18.05 per month. Its customer service team also mistakenly told Mr R that the amount of callouts he had would affect his premium. But I'm satisfied from what British Gas has since shared with us that this isn't the case. The callouts aren't a factor which influences the price charged on individual policies.

Finally, I've seen the screen shots from the price comparison sites that Mr R sent in. I don't think the fact that other companies are offering new customers home emergency cover at cheaper prices than Mr R is currently paying means British Gas has treated him unfairly. Or

indeed that it's overcharging him. Whilst I can see that the British Gas quote is for £12.24 for the 200 policy, I can also see this price is based on a £60 excess/callout charge. This 'excess' will have the effect of reducing the monthly premium. Mr R told British Gas specifically that he wanted his policy to be excess/callout charge free.

Mr R has said his renewal price has increased by 95p per month. So he isn't going to take up British Gas' offer. Mr R's completely within his rights not to accept the offer he's been made.

Whilst I've not been able to uphold Mr R's complaint, I hope he's found what I've said to be helpful in explaining why he was asked to pay a higher price for more cover.

### **my final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 14 November 2016.

Claire Woollerson  
**ombudsman**