

complaint

Mr D is unhappy with the amount by which his heating insurance policy with British Gas Insurance Limited has gone up in recent years.

background

Mr D has had the same cover with British Gas since January 2010. He's unhappy that his premium has increased significantly recently. In particular, he says that for the policy year January 2016 to January 2017 he was paying £13.12 pm and this increased to £30.29 pm for the year January 2017 to January 2018. He contacted British Gas and it agreed to reduce the premium to £23.16 pm but he is still unhappy. He says he's been with British Gas since 2010 and only ever made one claim on the policy. He wants British Gas to offer a fair and reasonable renewal figure, taking into account that he has been a loyal customer since 2010 and only ever made one claim.

British Gas has shown us how it has calculated each premium and provided the details of the premiums charged for each year since Mr D first took out his policy. The policy started in 2010 at £240pa and went up by small amounts until 2015, when it increased to £307.64pa; then in 2016, £355.17pa and finally in 2017, £362.49pa (ie £30.29 pm) although I understand this should have been £350.49 when applying an energy customer discount. This was also reduced by 20% to £278pa, when Mr D complained.

British Gas says that it offers new customers significant discounts in order to attract customers and because the heating system will tend to be in better working order in the initial year of cover and therefore claims will be less likely. It has shown us how it calculated Mr D's renewal premiums and says these were calculated properly. It has applied a discount to this year's premium but can't lower it anymore.

One of our adjudicators looked into the case and decided it shouldn't be upheld. He considered the evidence provided and thought that British Gas had calculated Mr D's premium correctly. He didn't find any evidence that he'd been treated unfairly, compared to other customers.

Mr D didn't accept the adjudicator's assessment and is still unhappy that new customer discounts aren't offered to loyal customers. As a result the matter's been passed to me.

my findings

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

Mr D had said in his complaint form that his premium was £13.12 pm in the year 2016 to 2017. However, this appears to be an error. His copy of the renewal document for that year confirms the annual premium was £355.17 (which corresponds with what British Gas told us). His copy of the renewal says this will be paid by way of 12 instalments, the first of which will be £29.68, followed by 11 further instalments of £13.12. However, this doesn't add up to the £355.17 for the year. The premium wasn't therefore meant to be £13.12, from what I can see. It should have been round £29 pm for the policy year 2016 to 2017, which is not much different from the premium for 2017 to 2018. The biggest increase in premium seems to have been between 2015 and 2016.

Insurers are generally entitled to set the premium they want to charge for the insurance provided. Normally they would calculate the base rate for a policy and then other factors they consider relevant to the risk being covered are applied, which might bring that base premium up or down. Different insurers apply different factors. I can't set out in detail the factors that British Gas consider relevant and apply to their policies, as these are commercially sensitive. An individual policyholder's claims history is only one factor though and I can confirm that Mr D's claim hasn't made a significant difference to the premium he's been charged.

The main reason for the increase in Mr D's premium is that the base rate for this cover, which applies to all customers, increased significantly over the last three years and this has led to an increase in premium for Mr D.

It's also not unfair for an insurer to offer new customer discounts. This is a common market practice. In Mr D's case, British Gas has agreed to apply a 20% discount for this year. It didn't have to do this. I think it has acted fairly and reasonably as the premium initially offered to him was calculated correctly. I don't therefore consider that I can direct it to apply any further discount or refund any premium.

The insurance is more expensive than it previously was for Mr D but the premium has been calculated fairly and Mr D is free to choose another policy elsewhere if he doesn't accept the premium.

my final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 13 November 2017.

Harriet McCarthy
ombudsman