

Complaint

Mr H has complained that Red Sands Insurance Company (Europe) Limited unfairly increased the cost of his pet insurance policy. He's also unhappy with an exclusion that's been placed on a new policy he purchased and the way a condition has been categorised.

My findings

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

The complaint concerns different issues on two policies sold. I will deal with them in turn.

Policy starting in 2016

In general, the cost of insuring a pet will increase each year as the pet gets older and the cost of medical treatment rises. Standard pet insurance policies also usually won't cover any medical conditions the pet had or had received treatment for when the policy was taken out or renewed. So ongoing or recurring medical conditions won't be covered.

But some pet insurance policies, like the one Mr H took out, will continue to cover any medical conditions claimed for in previous years, provided the policy is renewed each year. These are sometimes referred to as lifetime policies, as ongoing or recurring conditions will continue to be covered for the lifetime of the pet, if premiums carry on being paid. The yearly cost of these lifetime policies can go up significantly at renewal, particularly if a claim is made. And that there is no limit to how much the premium could be.

Red Sands should have made these longer-term cost implications clear to Mr H in 2016 and our investigator didn't think it had done this. Red Sands have now offered to pay him £500 compensation for the trouble and upset he's been caused as a result of this.

Mr H hasn't accepted the offer made by Red Sands and asked for an ombudsman to review his concerns.

I think Red Sands offer is fair and reasonable compensation in the circumstances of this part of Mr H's complaint and I'll explain why.

It's important to be clear that businesses are entitled to decide how much to charge for the insurance cover they provide. I don't have the power to tell a business what its insurance should cost. I would be, in effect, determining or telling a business how it should operate – and that's not my role. So I can't say the cost of Mr H's policy is too high, he should have been charged less for the policy or that he should be charged less in the future.

While Mr H's premium did see a significant increase, I haven't seen any evidence to suggest Red Sands have treated him differently to how they would have treated any other policyholder in the same position. So I can't tell Red Sands to charge him a lower premium going forwards.

I know this will be disappointing to Mr H, and I understand this situation has caused Mr H significant upset as, due to the cost, he's had to take out a new policy and has lost cover for his pet's existing medical conditions and now has to cover the cost of his pet's treatment for some of those.

But the thing Red Sands did wrong was not give Mr H the information he needed to understand he could end up in the position he now finds himself in. Where I find something has gone wrong, I'll look at what's likely to have happened if it hadn't, to see if a consumer has lost out.

Mr H 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. In fact Mr H chose to take out another lifetime policy after cancelling this one, even though he was aware a number of exclusions would apply. If Mr H hadn't taken the 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 still have found himself in a situation where his pet's existing conditions were no longer covered. I think it's likely he would still have gone ahead with his original lifetime policy, even if he'd known the premium could increase significantly in the future.

I recognise that it's possible Mr H may have gone with a different provider offering a similar policy. But it's impossible to know what policy Mr H would have ended up with – it might have been cheaper, but it might also have been more expensive. I think it's unlikely better information about the possible future costs of the policy would have resulted in Mr H paying a significantly lower amount, as providers that offer this type of insurance tend to operate in a similar way - taking the same sort of factors into account when the premiums are calculated at renewal.

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

The £500 compensation Red Sands have offered recognises that better information about the longer-term costs of the policy could have avoided some of the trouble and upset Mr H has experienced. It's not compensation for any financial loss – I can see Mr H has benefitted from the policy with a number of claims. And it's also not to help cover his pet's medical treatment going forward – although of course Mr H can use it for that. I think the offer fairly compensates Mr H.

Policy starting in January 2019

Mr H took out a new business lifetime pet insurance policy with Red Sands that started in January 2019. It was significantly cheaper than his previous policy had become, which is not surprising as it excluded a number of conditions relating to the claims he had made on his previous policy. There was also a 14-day waiting period – so if his pet suffered anything during this time it also wouldn't be covered under the policy terms and conditions. It was cheaper as the risk Red Sands was taking on was largely reduced.

Having listened to the telephone call from when Mr H took out the policy, I think it's likely he was aware that any pre-existing conditions wouldn't be covered under its terms and conditions. He was told about the exclusions relating to claims made on his previous policy. And that there was an additional 14-day waiting period. This information is also contained in the policy documentation sent to him after the call.

Having looked at the evidence provided, I don't think Red Sands did anything wrong in declining the claim Mr H made for his pet's bone condition. I say this as the vet's records suggest that his pet started suffering from symptoms of the condition at the end of December

2018, before the policy started. He also visited the vet for symptoms of the condition during the 14-day waiting period. So under the terms and conditions of his policy, treatment for this condition was excluded as pre-existing.

I understand what Mr H is saying with regards to not knowing the diagnosis until after the scan, which happened in February 2019. But, under the terms of his policy a pre-existing condition includes any *“symptom or sign of a condition occurring or existing in any form and at any time prior to the commencement date”* and considering the information from his vet I think Red Sands have acted fairly in applying the exclusion.

With regards to his other claim made in February 2019, Red Sands have acknowledged that it made an error when assessing his claim and have now agreed to cover the claim in line with the remaining policy terms and conditions. So I don't need to address this any further.

My final decision

Red Sands Insurance Company (Europe) Limited's offer to pay Mr H £500 compensation is fair and reasonable and it should now pay this to him.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr H to accept or reject this decision before 23 January 2021.

Hannah Eykel
Ombudsman