

## **complaint**

Mr T complains about the increasing premium that British Gas Insurance Limited is charging for his home emergency insurance policy.

## **background**

In 2016 Mr T contacted British Gas because his home emergency policy premium had gone up. British Gas first offered to apply an excess to the policy to reduce the premium, which Mr T didn't think was right. It then offered him a 20% discount on the price. Mr T pointed out that a new customer could get the policy much cheaper online, and made a complaint.

British Gas didn't think it had done anything wrong. It said that it offered a standard premium to new customers. But after the first year the price was based on a range of factors including breakdown history, geographical location, make, model and age of boiler (if included in the cover) and general price increases across its product range. British Gas wouldn't match the price Mr T had found online for new customers. He came to us.

Our adjudicator didn't uphold the complaint. He said, in summary, that British Gas was entitled to decide what it would charge for the risk it insured. It seemed to have treated Mr T the same as other customers in a similar position and our adjudicator thought it had acted fairly. British Gas hadn't done anything wrong in offering a lower price to attract new customers. Our adjudicator said that a new policy would have a restriction on cover for the first 14 days which didn't apply to existing customers who were renewing their policies.

Mr T didn't agree. He made a number of points explaining why he didn't think British Gas had treated him fairly:

- British Gas is aware of his boiler's history (it's maintained the boiler for around 8 years, and has fitted a magna-filter to it). He has to follow its recommendations (such as a power flush) to continue his cover. A new customer presents a higher risk, with a boiler which potentially hasn't been serviced in years. So British Gas isn't acting fairly and reasonably.
- He doesn't accept he should pay a substantial amount more because he has cover from the renewal date. The 14 days extra cover doesn't equate to the extra amount British Gas charges him. He thinks the adjudicator gave an opinion on British Gas' judgment of risk, when he said that a new customer is paying less but gets less cover.
- British Gas hasn't suggested that the premiums are higher for existing customers because they receive 14 days more cover. If that is its view he'd like to see it in writing. He is aware of insurance risk, and doesn't accept British Gas charges existing customers more because they are covered from the renewal date.
- He points out that each year British Gas increases the premiums for existing customers and then reduces them to an extent when challenged.

## **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 don't uphold this complaint. I'll explain why.

As I know Mr T is aware, insurers are entitled to assess the risk presented to them and set the price for their policies accordingly. What importance insurers attach to certain factors can differ between them.

British Gas has been able to show us that any existing customer in Mr T's position would've been treated in the same way. We can't share the information British Gas has provided to us, because it's commercially sensitive. But I'm satisfied British Gas has used the same factors to price Mr T's policy as for other existing customers.

British Gas has explained that its pricing differs for new customers. It offers a promotional rate to attract new customers, based on a national single price at an average cost. After the first year it uses tailored pricing based on the specific factors it's described. Mr T argues that a new customer might present a higher risk to British Gas. But it's entitled to decide how it assesses that risk.

There is a restriction on claims for the first 14 days of a new policy. To be clear, British Gas hasn't suggested the 'extra' 14 days cover an existing customer has from the renewal date affects the price it charges. Rather it has decided to assess the risk of new customers using a national average cost.

I can't fairly say British Gas must agree to charge Mr T, an existing customer, the same as a new customer. This is the case even though it's familiar with his boiler and heating system, having serviced and worked on it for a number of years. The important thing is that it has treated him the same as other existing customers, using the same factors to price his policy as other existing customers. So I think it's treated him fairly.

I know Mr T is concerned that each year British Gas quotes a higher premium to him, and only agrees to reduce this when he calls up to query the premium. The key thing for me is that the original premium it quoted him as an existing customer was priced fairly. I think British Gas is entitled to discuss ways to reduce the premium (such as introducing a policy excess) and to offer a discount to retain a customer who might otherwise go elsewhere.

### **my final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 4 August 2017.

Amanda Maycock  
**ombudsman**