

## **complaint**

This complaint is about the price of a home emergency insurance policy with British Gas Insurance Limited.

Mr M is bringing this complaint on behalf of his mother. For ease, I will refer to Mr M throughout.

## **background**

Mr M's mother took out the policy with British Gas in November 2014 (costing £168 for the year) and it was renewed automatically each year until 2018. The price increased each year and then in late 2018, Mr M's mother was quoted £351.75 for the following year. Mr M says the same policy was available on line for new customers at a cost of £192. Mr M says his mother's policy has increased in price by around 30% each year since 2014, whereas the online price would have represented only a 14% increase since 2014. Mr M therefore says his mother has been overcharged by around £300 since 2014 and wants this amount reimbursed. Mr M also says the policy was automatically renewed each year without consent and he was not previously told it was an insurance product.

British Gas says that when the policy was first taken out, there was an introductory offer of a 17% discount across its whole insurance range, which resulted in the premium of £168.30 for Mr M's mother, which she chose to pay by direct debit. The price Mr M found online for 2018 would only have been for new customers. The pricing for new customers is calculated on a flat rate basis, which Mr M's mother would have benefited from when the policy was first taken out. At that stage it would not know the age, make and model of the boiler as well as the size of the property and number of radiators. After the first year the price is then calculated more specifically taking these factors into account, as its engineers would have attended property and have more knowledge of what it are insuring. The second year pricing would also take into account any call outs / claims customers may have made.

It was also agreed in 2014 that the policy would automatically renew each year after that. The policy was set up on line in 2014 and it notified Mr M that documents would be sent by email. Renewal documents were sent in advance of each renewal detailing the price for each forthcoming year. In addition, the direct debits changed over the time since 2014 and so this would also have alerted Mr M and his mother to the price changes for the policy.

British Gas Insurance says Mr M, or his mother, have contacted it at any time before October 2018 to raise any concerns about the policy automatically renewing or dissatisfaction with the new prices. A service had been completed on the boiler each year and several breakdown appointments had been attended.

One of our adjudicators looked into the matter. She did not recommend that it be upheld, as she considered that British Gas had calculated its premiums fairly and had not treated Mr M's mother any differently than other customers. Mr M's mother was notified of the premium each year and chose to allow it to renew. She could have chosen different insurance if she did not want to continue cover with British Gas at the price quoted to her.

The adjudicator also noted that British Gas had carried out an annual service on Mr M's mother's boiler each year and had attended to deal with problems with the boiler on four occasions. She did not therefore consider that British Gas should make any payment to Mr M's mother.

Mr M doesn't accept the adjudicator's assessment. He says that the issues with British Gas are clear. The adjudicator's assessment gives the impression that she may have been overwhelmed with the amount of data and information provided. Mr M has made a number of points in support of this complaint and in response to the adjudicator's assessment, which I've summarised below:

- the original premium of £168 was adequate for the small amount of work which was carried out while the policy was in force.
- There were no repairs carried out on the boiler. His mother had to call British Gas out a few times but this was simply to reset the pilot light, as she was unable to do this herself.
- There was no introductory offer in 2014, the website only showed a table of boiler Home care products, with advertised prices and no mention of any discount.
- His mother is 84 years old and has been taken advantage of. She has been a loyal customer but has been penalised for this.
- He couldn't monitor all the payments made by direct debit from a number of bank accounts that he holds.
- If his mother had been properly informed about the premium each year, they would have found alternative cover, or cancelled and rejoined British Gas to avoid paying the unjustified price rises.
- As it is, she has paid the total of £968.00 for just over one hour active work, in four years and the annual services.
- British Gas's unfair and unjustified price rises have caused his mother to be £300 out of pocket, which he expects to be refunded, as a premium of £168.30 per year is more than adequate for the little work carried out.
- The renewal invitations sent by British Gas had all gone to Mr M's 'junk' folder. But British Gas should also have written to him and his mother separately before renewing the policy each year.

Mr M has asked that the complaint be reviewed again and the sum claimed credited to his account.

As the adjudicator was unable to resolve the complaint, it has 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.

Having reviewed the information provided by both parties, I agree with the adjudicator's assessment that this complaint should be rejected.

It is generally up to insurers to decide what cover they wish to provide and the premium that they want to charge for that cover, based on the risk that it thinks a customer presents. Similarly, individual consumers have a choice about which policy and which insurer they wish to take insurance with, or not take insurance at all.

Normally insurers calculate a base premium rate for a policy and then the 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 its policies, as these are commercially sensitive but I have considered the information it has provided.

The base rate which applies to all customers, and which includes the insurance premium tax, increased each year since 2014. Other factors were then applied but the main reason Mr M's mother's premium had gone up each year was the increase in base rate.

British Gas provided a discounted introductory rate in 2014 but having applied a discount in one year, it is not committed to doing so in any following years. Even if Mr M's mother was not aware that this was a discounted rate, I don't consider this changes the outcome of this complaint. It is not unusual for insurers to provide such discounts to attract new customers and there is nothing inherently wrong in doing so.

British Gas then attended a number of call outs and carried out annual services. Mr M says that the visits were simply to reset the pilot light. This is disputed, as British Gas's records show that on two occasion work was done to the boiler but in any case, it was required to attend and visit to reset the pilot light would involve a cost to British Gas. However, from the information provided to me, it appears the claims / call outs have not made much, if any, difference to the price Mr M's mother's policy. I don't therefore consider that I need to make a finding about this issue.

Mr M's mother was notified of the premium before the policy renewed each year and had a choice about whether to accept it or not. Mr M says these documents were not received but this is not something I can hold British Gas responsible for. Similarly, I can't hold British Gas responsible for Mr M not noticing any change in the direct debit amounts taken from his account for the policy. British Gas sent the documents as it is required to do. I do not consider it would be reasonable to expect it to also write to customers, who have agreed to a policy automatically renewing, again.

In any event, it seems clear to me that Mr M's mother was aware and wanted the policy to renew each year, as she made claims under it and arranged the appointments for the annual service. Mr M says it was not agreed that the policy would automatically renew but the documents provided to him at the time the policy was first taken out online, and at each renewal since, show that it will do so if the premiums are paid by direct debit. And, as stated, it appears he and his mother were aware it was renewing and didn't query this on any occasion until 2018.

Mr M has also suggested that the price is unfair due to the amount of work British Gas has had to do under the policy. The policy is one of insurance, which means it is about future risk and how much the insurer is prepared to provide cover for. It is not possible to calculate the cost of work done as a way of retrospectively calculating a fair price. Mr M says he didn't know the policy was an insurance product. I consider that this is sufficiently clear from all the documents and information provided to Mr M but in any case, even if he wasn't aware of this fact, it makes no difference to the outcome of this matter. I say this because, regardless of the definition of the policy, he and his mother were aware that the premium was being paid in exchange for British Gas's agreement to carry out an annual service and to attend to any problems with the boiler (subject to certain terms and conditions).

If Mr M no longer thinks the insurance offers value for money, that is a matter for him and his mother. Mr M's mother doesn't have to renew with British Gas, he has always had the option to either get insurance elsewhere or decide not to have insurance at all.

Overall, I am satisfied that Mr M's mother was treated fairly and in line with other customers; and I'm not persuaded that the premiums have been calculated unfairly or that British Gas needed to provide any further information to Mr M or his mother, who was free to choose another policy elsewhere if she didn't accept the premium. I do not therefore consider that British Gas needs to make any payment to Mr M's mother.

**my final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 29 September 2019.

Harriet McCarthy  
**ombudsman**