complaint

Mr and Mrs K are unhappy with the premiums charged by Lloyds Bank General Insurance Limited for their home insurance over a number of years and feel the policy was unsuitable for their needs.

background

Mr and Mrs K bought their policy through Lloyds in 2001 and continued to insure with it until 2015. Over that time the premiums rose substantially from £481.90 for 2001/2 until 2014/15 when it was £1,442.35. So far as I'm aware, Mr and Mrs K had one claim in that time in 2005 when the No Claims Discount (NCD) went down from 25% to 10% on both contents and buildings. It took until 2009 for the NCD to go back up to 35%.

In 2011 Mr and Mrs K spoke to an adviser at their local branch, as they were concerned about the price of their insurance. That adviser arranged for the price to go down by 7% after Lloyds applied a loyalty discount. However the price then rose over the next three years, by 14% then 20% and then a further 20%. Mr and Mrs K then found a policy that was cheaper elsewhere for the 2015/16 renewal. They complained to Lloyds, who reviewed it and said they should have been advised in 2011 about their need for Accidental Damage (AD) cover. As a result it agreed to remove that cover from 2011 and refund the premiums of £1,981.62 and pay interest at 8%. It also paid them £100 compensation.

On referral to this service our adjudicator thought that Lloyds should have recognised that Mr and Mrs K were failing to engage with it (at least until 2011). However he thought that the refund given was more than we would have considered appropriate to award so he didn't propose that Lloyds make any further award.

Mr and Mrs K were unhappy with this and asked for an ombudsman's decision, and the matter has been passed to me for consideration.

my findings

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

policy premiums

The price of Mr and Mrs K's policy rose a lot over the years and it's clear that until 2011 they didn't query the price of it with Lloyds. In general, I want to see that where a policy premium is increased from year to year that the policyholder is able to query it and that they aren't treated unfairly because they may not have access to all the information needed to make a decision about renewal. In this case I note that Mr and Mrs K went to their bank and queried the price of the policy in 2011. So at least from then they would have been aware about the price and that they could have shopped around if they had wanted to.

I understand that Mr and Mrs K feel they were overcharged but it's difficult to assess the price of the Lloyds policy against the new one they've obtained, particularly as it offers different levels of cover and is likely to include an introductory discount. I haven't seen any evidence that Lloyds had a cheaper policy available up until 2015 and it is entitled to set its premiums according to its own pricing structure and assessment of risk.

Nevertheless I take into account that from 2001 to 2011 Mr and Mrs K didn't query the price they were paying and Lloyds should have taken this into account. Lloyds should also have discussed their need for accidental damage cover in 2011. But as there are no records of the sale in 2001, it's not possible for me to reach any conclusion about the advice given to them about the policy in 2001. It's also not possible to say what price might have been available for other policies up until 2011, but I note that Mr and Mrs K opted to stay with the Lloyds policy then. I take into account the amount of the refund of premiums they have had. If I had thought it appropriate to make an award it wouldn't have been as much as the award given to them by Lloyds. So I don't propose to ask Lloyds to pay any more.

suitability

Mr and Mrs K have pointed out that they didn't need unlimited cover for their buildings and contents and didn't need AD cover.

As our adjudicator has explained, the policyholder doesn't pay substantially more for unlimited cover. Rather the level of premium is set according to the type, location and age of the property. This type of cover removes any danger that the property might be underinsured which could mean a substantially reduced pay-out in the event of a claim.

As for AD, as I've said there's no evidence as to what might have been discussed about this with Mr and Mrs K in 2001, so I can't say that they were sold an unsuitable policy then. I wouldn't expect Lloyds to necessarily have kept records that far back.

my final decision

I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs K to accept or reject my decision before 27 April 2019

Ray Lawley
ombudsman