

complaint

Mrs R's complaint is about her central heating insurance policy with British Gas Insurance Limited.

background

Mrs R has held a policy with British Gas for some time. When she received the renewal documents in 2018, she called to discuss the increase in the annual premium which had gone up to £598.59. British Gas agreed to reduce the premium by half.

Mrs R is very unhappy that her premium has increased each year and says if she had known British Gas would reduce the premium if she called, then she would have done so before. Mrs R says she has therefore been overpaying for the policy in previous years and wants the previous years' premiums to be reviewed and a reasonable proportion of them to be reimbursed. She has also referred to a consumer advice publication, which says the typical price of the policy she holds would be around £312.

Mrs R has also said that British Gas has deemed her gas fire as being unsafe due to inadequate ventilation while carrying out a service under the policy. Mrs R is unhappy about this as she says nothing has changed since it was installed and it has passed previous annual services without any problem. She also says she was told she had to have some essential work done and then was told it wasn't necessary. Mrs R is also unhappy that British Gas didn't respond to her complaint email.

British Gas says that in March 2018, when Mrs R phoned, it agreed to change the cover by adding a £60 excess to be payable in the event of a claim under the policy, and also offered a discount on the normal price for that policy in order to keep her custom. This meant it was able to reduce the premium to £288.70.

British Gas says the premium that had been quoted to Mrs R in the renewal documents had been correct and in line when taking into account factors such as the make, model and age of her boiler, the size of the system and availability of spare parts. However, it tried to do everything it could to retain a loyal customer's custom and managed to reduce the price to a suitable figure. British Gas says that the reference price of £312 would be for new customers but once it knows the age of the boiler and other individual factors, the price will almost always go up.

British Gas apologised for not replying to Mrs R's complaint email of 15 February 2018 and sent a cheque for £30 as a gesture of goodwill. It said that it no longer had any record of the issue with the gas fire which had happened over six years ago. However, once the engineer had made the decision that the gas fire was unsafe, it would no longer have charged for it.

One of our adjudicators looked into the case. She did not recommend that it be upheld. The adjudicator was satisfied that British Gas had applied increases to Mrs R's premiums which were in line with other customers and were not unfair. The adjudicator was also satisfied that the offer of £30 British Gas made for the complaint handling errors was fair and reasonable in the circumstances.

Mrs R doesn't agree that this is reasonable. She says that while she may not have been singled out, this does not mean the increase in premium and British Gas's practice of renewing at a higher price and reducing it if a consumer complains is fair. There should be complete transparency about how premiums are calculated.

Mrs R has also confirmed that she accepts that the issue with the fire was due to the installer and that this can't be taken any further now.

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.

Insurers are generally entitled to decide the premium they want to charge for the insurance provided. It isn't my role, to decide what this premium should be. And consumers are free to choose whether they are willing to pay that premium; obtain insurance elsewhere or not take the insurance at all.

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

Mrs R had her policy with British Gas from 2009 and she didn't engage on the price of it until 2018. I think British Gas should have been aware Mrs R wasn't engaging with her renewal from 2014, after the policy had renewed for a fourth time without engagement. And I think it's fair to say Mrs R was inert from this point.

When the price of insurance continues to increase when a customer is inert, we expect the business to explain the price increases. And demonstrate the customer has been treated fairly and consistently. I don't have details of how much Mrs R's premium increased by for every year it was in place, British Gas hasn't been able to provide all of the historic price information. But it has provided the renewal documents sent to Mrs R since 2015. In 2015 the policy cost was £462.53, in 2016 £531, in 2017 £555.07 and in 2018 it was £598.59 (at which point Mrs R phoned to complain about the price).

British Gas has explained how these price increases were based on its view of the risk and that it applies these factors to the policies it insures. So I think it's treated Mrs R fairly with regard to how it has priced her policy over the years. And that the price increases were not applied simply because she wasn't engaging on the price.

When Mrs R called to complain about the price of her insurance in 2018 British Gas changed the cover provided to Mrs R (introducing an excess to be paid in respect of any claim under the policy) which significantly reduced the base rate premium. It also agreed to a discount in order to retain Mrs R as a customer in that year but this was entirely discretionary. Having applied a discount in one year, it is not committed to doing so in any following years.

British Gas provided documentation to Mrs R in advance of her renewal each time the policy was due to renew, which set out clearly the price it was intending to charge.

Overall, I am satisfied that Mrs R 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 Mrs R, who was free to choose another policy elsewhere if she didn't accept the premium.

British Gas did not handle the complaint as it should have done. This will have caused some frustration and inconvenience and I am satisfied that the £30 already offered is fair and reasonable to reflect this.

my final decision

I don't uphold this complaint. The offer of £30 already made is reasonable in all the circumstances of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 7 August 2019.

Harriet McCarthy
ombudsman