

complaint

Mr K has complained about BUPA Insurance Limited's administration of his private medical insurance policy and its handling of his complaint about this.

background

Mr K held a private medical insurance policy with BUPA. It renewed in October each year.

In 2011, BUPA wrote to all policyholders, including Mr K, to explain it was introducing a low claims bonus ("LCB") which would affect premiums from 2012. The LCB would involve a discount or increase being applied to a policyholder's premium depending on the value of claims that the policyholder had made. It was intended to ensure that members who didn't claim much under the policy paid less for their cover and members who made higher value claims paid more. BUPA outlined the different bands of claims value and the corresponding percentage discount or increase it would apply to the premium at the next renewal.

In September 2014, Mr K began corresponding with BUPA over his premium. He questioned the way in which the LCB had been applied.

In December 2014, BUPA wrote to all policyholders, including Mr K, to explain it had made an error in calculating the LCB since 2013. It said that it had applied a different level of discount/increase to those it said it would apply. It said that, as a result, some members had paid more than they should have done for their cover while others had paid less. It explained that it had recalculated how much everyone should have paid if it had operated the LCB as it originally described. Those who had paid too much would receive a refund plus interest while those who had paid too little wouldn't be asked to repay the extra amount.

In Mr K's case, he was entitled to a small refund which BUPA rounded up to £10.

Mr K continued to question BUPA as to how it had calculated his premiums and the refund due to him following its error over the LCB.

In April 2015, BUPA sent Mr K a detailed explanation of how it had worked out his refund.

Mr K complained that in calculating his refund, BUPA had retrospectively increased his 2013 and 2014 premiums. He said it had no right to do this and furthermore had failed to inform him or other policyholders of what it had done. BUPA maintained it had done nothing wrong. It said it had discussed its approach with the industry regulator, the Financial Conduct Authority (FCA), which was happy with this. Mr K was unhappy with this response and referred his complaint to this service.

Our adjudicator recommended that the complaint be upheld only in part. She thought that BUPA had acted reasonably in calculating the refund due to Mr K. She thought that it had provided an adequate explanation of how this had been calculated. She considered that the way in which BUPA priced its premiums was a matter of its legitimate commercial judgement with which this service wouldn't normally interfere. However, she thought that it wasn't until April 2015 that BUPA provided Mr K with a full response to his enquiries and it could have done this sooner. She recommended that BUPA pay Mr K £150 compensation in recognition of the inconvenience caused to him by this poor customer service.

BUPA accepted the adjudicator's findings but Mr K did not. He said that BUPA had acted contrary to the terms of the policy in retrospectively increasing his 2013 and 2014 premiums. He thought that BUPA had deliberately concealed this information in its mailing of December 2014 and had only revealed it when he persisted in challenging it. He thought that BUPA's leaflets in 2011 and 2014 explaining the LCB failed to make clear the cumulative nature of the discounts/increases applied to the premium. He believed that BUPA would have known when his policy was renewed in 2013 and 2014 that it had incorrectly applied the LCB. He thought its handling of his complaint had been appalling and that £150 was insufficient compensation for this.

In view of the continued disagreement, the matter has been passed to me to consider afresh.

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 done so, I think the complaint should be upheld only in part. I shall explain why.

When BUPA applied the incorrect LCB levels in 2013 and 2014, it had a knock-on effect on the inflationary rate it applied to everyone's premium in those years. Therefore, when BUPA realised its mistake, it didn't simply apply the correct 2013 and 2014 LCB levels to the base premiums that had been charged in those years. Instead, it re-calculated what base premiums it would have charged to its policyholders for those years had everything been done correctly, and applied the correct LCB levels to the revised base premium. It was then able to see how much each policyholder had been overcharged or undercharged for their policy.

Mr K thinks this was wrong and that BUPA had no entitlement under the policy to retrospectively change the premiums it charged in 2013 and 2014. However, I don't think that BUPA has acted unfairly. The policy says that BUPA must tell the policyholder at least 28 days in advance of renewal of any changes to the terms and conditions of the policy. BUPA has acknowledged that it mistakenly changed the LCB levels without notifying members. It has sought to correct that error. But there are various other factors that affect the pricing of the policy and the LCB is interdependent with these. Therefore, in calculating the refund, I don't think it was unreasonable for BUPA to recalculate how much it should have charged Mr K for the policy, taking into account all these factors rather than simply recalculating the LCB in isolation. I note that BUPA discussed its approach with the FCA beforehand.

I agree that BUPA wasn't explicit in explaining what it had done in its mailing of December 2014. It said it was refunding the difference between the amount that the policyholder actually paid and the lower amount they should have paid, plus interest. However, I don't think this is an inaccurate summary of what it did. And I don't think BUPA set out to deliberately conceal its approach. Instead, I tend to accept its explanation that it believed going into a more detailed explanation of its methodology wouldn't have necessarily been helpful to most of its policyholders.

I think that, once challenged, BUPA should have provided a fuller explanation of its actions to Mr K sooner than it did. BUPA itself has acknowledged this. However, I think that £150 is an appropriate amount of compensation for the inconvenience caused to Mr K by this failing.

I'm satisfied that the leaflets describing the LCB do so adequately. I think that it is apparent that an increase or discount applied in one year will affect the base premium to be charged the following year and that the effect is therefore cumulative.

I note that Mr K thinks BUPA was aware much earlier of the problem with the LCB. However, I have no reason to suppose that BUPA knowingly applied the incorrect LCB levels or that it failed to take action as soon as was reasonably practical once the issue came to light.

I recognise Mr K's dissatisfaction with BUPA's overall service but, in general, I think it has sought to answer Mr K's questions openly and honestly. As explained above, I think the compensation it has agreed to pay is reasonable.

my final decision

For the reasons given above, my final decision is that I uphold this complaint in part. I require BUPA Insurance Limited to pay Mr K £150 compensation for the inconvenience caused to him by its poor customer service.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 15 February 2016.

David Poley
ombudsman