

The complaint

Mrs S and Mr S complain about the price quoted by Royal & Sun Alliance Insurance Limited trading as More Than ("RSA") to renew their home insurance policy.

What happened

Mrs S and Mr S received a quote to renew their policy but, after checking on a price comparison site, Mr S says he found the same policy with RSA for a lower premium. Mr S raised this with RSA and says they couldn't explain the difference. Mr S says he then allowed his policy to expire and then took out a new policy for around £130 cheaper than the renewal quote. Mr S complained and said this proves RSA hadn't given him a fair price as it went against rules introduced by the Financial Conduct Authority ("FCA").

RSA responded and explained the price they offered was in line with the price they would've offered a new customer at the time. RSA said the quote Mr S recently obtained was based on the prices they were offering new customers on the date he completed the quote. RSA explained, given Mr S obtained the quote after the renewal quote was generated, it's likely prices will differ as they regularly review their prices to react to changing market conditions.

Our investigator looked into things for Mrs S and Mr S. He thought RSA hadn't treated Mrs S and Mr S unfairly in relation to the pricing. Mrs S and Mr S disagreed so the matter has come to me for a decision.

What I've decided – and why

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've decided not to uphold the complaint. I understand Mrs S and Mr S will be disappointed by this but I'll explain why I have made this decision.

The role of this service when looking at complaints about insurance pricing isn't to tell a business what they should charge or to determine a price for the insurance they offer. This is a commercial judgement and for them to decide. But we can look to see whether we agree a consumer has been treated fairly – so is there anything which demonstrates they've been treated differently or less favourably. If we think someone has been treated unfairly, we can set out what we think is right to address this unfairness.

I can see Mrs S and Mr S paid £467.99 in 2022 but then received a quote for £572.28 in 2023 – this is just over £100 more. Mr S then searched on a comparison site and called RSA to say he'd found a policy being offered by them for £482.10. RSA say they then offered their maximum discount which brought the renewal price down to £532.88. Mr S says the call handler then attempted to update Mr S's online quote with the same details as the renewal, but there was still a significant difference. Mrs S and Mr S then bought a policy with RSA as a new customer for £443.61 – this is just under £130 cheaper than the renewal quote. So, I do understand why Mrs S and Mr S are concerned.

RSA have provided me with confidential business sensitive information to explain how Mrs S and Mr S's renewal price was calculated. I'm afraid I can't share this with them because it's commercially sensitive, but I've checked it carefully. And I'm satisfied the price they were quoted has been calculated correctly and fairly and I've seen no evidence that other RSA customers in Mrs S and Mr S's position will have been charged a lower premium.

Given that Mrs S and Mr S obtained a cheaper price from RSA as a new customer, I do understand why they believe they haven't been treated fairly and in line with the new rules. The new rules for general insurance pricing which Mr S refers to were introduced by the FCA in January 2022. They apply to motor and buildings insurance only and insurers need to make sure they comply with these rules when offering renewals. The rules aren't retrospective and only apply to renewals generated from 1 January 2022.

The rules were put in place to remove the risk of existing customers paying more than new customers. It places an obligation on insurers to make sure they charge renewing customers the same as new customers. The FCA refers to this as the equivalent new business price ("ENBP"). The ENBP needs to be reflective of the new business price the day the renewal invite is generated. It is accepted the view of risk can change and the rules don't mean all insurers need to charge the same price and the FCA accepts that policies bought through different brands will likely offer similar cover at different prices. It also understands that different sales channels for the same brand might result in different prices and it accepts this is fair. The new pricing rules were in place when Mrs S and Mr S were offered their renewal by RSA, so they did need to follow these at the time.

It's clear there is a difference in price, with the renewal price being higher than the new business price. But I think it's important to note here, there are a number of factors which have led to this and, having looked at those factors, I can't say it's unreasonable for there to be a difference in price. Firstly, RSA have provided information which shows the new business price has been calculated on a different platform and pricing structure compared to the renewal and they've explained how this works. As mentioned above, I can't share this with Mrs S and Mr S, but I hope they're reassured that I've looked at this and I'm satisfied RSA haven't made an error here. I think it's important to again point out that the FCA understands that different sales channels for the same brand might result in different prices and it accepts this is fair.

I've also compared the renewal details with the new business details for the policy Mrs S and Mr S took out and the information on both policies isn't identical. The differences include the single item limit for high-risk items, cover for unspecified personal possessions and the value of listed specified items. RSA have provided information which shows how these factors were rated and how it affected the price. Taking all these factors into account, while the renewal price was higher than the new business price, I can't say RSA have acted against the FCA pricing rules and failed to provide Mrs S and Mr S with an ENBP. There is a price difference, but the two policies aren't identical in either the sales channel or the risk ratings applied. There's also a difference in the date the renewal quote was calculated and the new business quote – again, RSA have demonstrated how this made a difference to the price.

I acknowledge Mr S spoke with RSA on the day he obtained the £482.10 quote on a price comparison site. And then, despite the call handler making adjustments to the renewal quote to match what Mrs S and Mr S could achieve as a new customer, there was still a difference in price. Mr S says the call handler explained to him the only way to achieve the lower price would be to allow his existing policy to end and then take out a new policy. I note Mr S questions how RSA are complying with the FCA rules when, on the same day he obtained a new business quote from them, RSA weren't able to match the price on the renewal. I understand why Mr S is concerned, particularly as he says the call handler made

amendments to the renewal quote to replicate the same cover showing on his new business quote. But, as mentioned above, the quotes were obtained using different platforms and, having seen how this impacts the price, I can't say RSA have acted unfairly. I note Mr S doesn't feel this is a relevant factor as his original policy with RSA was taken out online and through a price comparison site – which is the same channel through which he took out the new business policy. I acknowledge this but, while Mrs S and Mr S might've taken out the original policy online, RSA have provided information which shows there was a difference in sales channel here and how this affected the price. And the renewal wasn't generated through this same platform – so there is a difference in the sales channel.

The price difference between the renewal and the new business policy Mrs S and Mr S bought is just under £130. I note Mr S believes there is no legitimate reason to account for the difference. He accepts, while there might be some variation, he feels it's unlikely the cost could fluctuate this much over a period of two weeks. I acknowledge Mr S's concern here, but I've seen how the renewal price was calculated – and I can't say RSA have made a mistake here or treated Mrs S and Mr S differently to other customers in the same circumstances. I have carefully considered Mr S's points about how he feels pricing can be manipulated when calculating renewals in advance of the policy end date. I understand Mr S is worried about how such an approach can be used to bypass the FCA rules – but I haven't seen any evidence that's the case here.

I wish to reassure Mr S I've read and considered everything he has sent in, but if I haven't mentioned a particular point or piece of evidence, it isn't because I haven't seen it or thought about it. It's just that I don't feel I need to reference it to explain my decision. This isn't intended as a discourtesy and is a reflection of the informal nature of our service.

My final decision

For the reasons I have given, it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S and Mr S to accept or reject my decision before 31 July 2023.

Paviter Dhaddy
Ombudsman