

The complaint

Mr O has complained that the Society of Lloyd's ('SOL') significantly increased the price of his income protection insurance policy. He is also unhappy with the service he received when he called SOL.

All references to SOL include any agents acting on its behalf.

What happened

Mr O took out an income protection insurance policy which would cover him in the event of unemployment.

In 2021, he received a renewal notice which showed that his premiums were increasing from £59.64 to £230.51 per month. Mr O tried to contact SOL to discuss the renewal price but says he spent a significant amount of time on hold and didn't receive a call back when promised.

He raised a complaint and SOL responded to apologise for the trouble he experienced in relation to the calls. And it paid him £50 compensation. But it said its decision to charge a higher premium was a fair one to ensure it was able to meet any claims that may be presented.

Unhappy, Mr O referred his complaint to this Service. Our investigator looked into the complaint but didn't think SOL had sufficiently demonstrated that the increase applied to Mr O's premiums was a fair one. He recommended further compensation of £350.

SOL disagreed and in summary, has made the following comments:

- The evidence provided is sufficient to show the reasons for the level of premium increase Mr O experienced and that he was treated in a manner consistent with other policyholders.
- It isn't for this service to decide on what level of premium increase an insurer should apply.
- It's unreasonable for this Service to ask for more evidence of why Mr O's premium increased when both this Service and Mr O are aware of the impact of the Covid-19 pandemic.

Mr O says a refund of the additional premiums should be considered.

And so the case has been passed to me for a final 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 think this complaint should be upheld. I'll explain why.

The relevant rules and industry guidelines

The Principles for Businesses (Principles) are set out in the Financial Conduct Authority (FCA) Handbook and SOL is obliged to follow these.

Principle 6 says a firm must pay due regard to the interests of its customers and treat them fairly.

The Regulatory Guide, published by the FCA entitled "*The Responsibilities of Providers and Distributors for the Fair Treatment of Customers*" (RPPD) includes the Regulator's guidance on what the combination of Principles and the detailed rules mean for providers and distributors of financial services. The RPPD explains that firms should consider the impact of their actions, or inactions, on the customer throughout the life cycle of the service being provided.

The relevant policy terms and conditions

"Annual Review

Standard income insurance will review your policy each year on your policy renewal date, which shall be the date 12 months from the start date of your policy and annually thereafter. Any changes that we wish to make will be implemented with effect from the next or nearest policy renewal date. We may make changes to policy cover and/or terms and conditions as a result of the cost of providing this cover to you, therefore your premium may increase or decrease or remain unchanged as a result of the annual review. Please note there is no limit to the size or nature of the changes.

Please also note that because the premium is based on your age, we will automatically change it at the first policy renewal date after you move into the next age band.

You will be notified in writing at least a minimum of 21 days prior to your policy renewal date each year, of any changes which we intend to make to your policy."

Our investigator asked SOL to provide information to show how Mr O's premium increase had been calculated. He asked for confirmation of the percentage increases which were applied as a result of age and percentage increases due to other factors, and what these were.

The starting point for complaints about premium increases is that an insurer is entitled to decide how much it wants to charge for its policy, so long as it does so fairly. But in order to decide whether the premium has been increased fairly, I need to see the underwriting criteria and a breakdown of how the premium has been calculated. This should show reasons why and whether the same criteria has been applied to other policyholders in the same position. This is so I can be satisfied that Mr O hasn't been singled out in any way or treated differently from other consumers in the same circumstances.

SOL hasn't provided me with a detailed breakdown of how it calculated Mr O's premium. It has provided some general information and background but no specific information (percentage increases which were applied as a result of age and percentage increases due to other factors) to show that an increase from ££59.64 to £230.51 was fair.

I accept the policy terms say that SOL can increase the policy and there is no limit to the size or nature of the changes. But I would expect it to provide a clear breakdown to show

that the increase applied was fair and reasonable including the factors it took into account for that individual.

Our investigator has asked for this information a number of times. SOL has made its position clear and doesn't think it is reasonable for this Service to ask for further information. Without information showing specifically how Mr O's significantly higher premium was calculated, I'm not satisfied that the increase applied was fair.

What should have happened?

SOL should have provided this Service with the information requested by our investigator. As it hasn't done so, I can't reassure Mr O that his premium was calculated fairly. Mr O could have cancelled his policy as soon as he learnt of the increase. As he didn't do so, he was still covered and SOL was still on risk for any eligible claims. So I don't think a refund of premiums is appropriate.

However, I do think SOL has caused Mr O distress and inconvenience at a time of uncertainty and instability. Not only was he unable to get through to SOL when he wanted to discuss the increased premiums but he was worried and shocked at the significant price increase. I don't think the general information provided by SOL was sufficient. SOL doesn't have to share commercially sensitive data with Mr O. But it could have shared information in confidence with this Service to reassure Mr O that the increase applied to his premiums was fair.

SOL has already paid £50 compensation for the distress and inconvenience as a result of Mr O holding for long periods when he called to discuss the increase in premiums. I think it should pay an additional £350 compensation for the distress and inconvenience caused as a result of failing to demonstrate that his premium was increased fairly and in line with other customers in the same position.

My final decision

For the reasons set out above, I uphold this complaint and direct Society of Lloyd's to pay Mr O £350 compensation in addition to the £50 it has already paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 10 August 2023.

Shamaila Hussain
Ombudsman