

The complaint

Miss H complains about the price quoted by Royal & Sun Alliance Insurance Limited (“RSA”) to renew her home contents insurance policy.

What happened

The background to this complaint is well known to the parties so I won’t go into detail but will summarise the key points. Miss H’s policy was due to renew on 27 July 2023. She received a renewal price of £385.30 which she says was significantly higher than what she’d paid the previous year. Miss H complained to RSA, and they maintained the price was calculated correctly. So, Miss H decided not to renew and took out a new policy with another insurer for £236.58. It later transpired that RSA had made an error in the pricing calculation and the price should’ve been £219.09. Miss H says, had she been given the correct price at renewal, she would’ve renewed with RSA, but she had now been left in a position where the terms and conditions of her new policy weren’t as beneficial as her RSA policy.

RSA, in acknowledging their error and looking to put Miss H back in the position she would’ve been in had the error not occurred, offered to reinstate the policy for the price of £219.09 from the original renewal date of 27 July 2023. They also offered to cover the cost of Miss H cancelling her policy with her new insurer and issuing a letter of dual insurance to enable Miss H to obtain a refund of the premium paid. They also offered £75 compensation for the trouble and inconvenience caused by their pricing error. Miss H raised a further complaint about an endorsement applied to her policy and confusion caused by RSA when they discussed this endorsement with her. For the confusion caused, RSA offered £25 compensation.

Our investigator looked into things for Miss H. He thought RSA’s offer was fair and didn’t uphold the complaint about the endorsement applied by RSA. Miss H has accepted RSA’s offer but has explained the only point she disagrees with is RSA applying an endorsement on her policy and how this was communicated. 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 to partially uphold the complaint. And, I think the investigator’s recommendation is a fair way to resolve matters.

My role requires me to say how a complaint should be settled quickly and with minimal formality and so I’ll focus on what I consider to be the crux of the complaint and the main areas of dispute. Miss H confirms she agrees with the proposals made by RSA to put things right and, having agreed to this directly with RSA, her policy has been reinstated. Miss H confirms she agrees with our investigator’s findings, but the only dispute she has relates to RSA applying an endorsement to the personal possessions section of her policy and how this was communicated. So, this is the issue Miss H wants me to decide.

I've looked at the policy schedule, which was originally sent to Miss H in June 2023, and this shows the excess for personal possessions as £25 on page 3 of the schedule. On the same page it says, *"Please check all the enclosed documentation to ensure the cover provided is exactly what you need."* It also says, *"This schedule and any applicable endorsements form the basis of your insurance contract and you should read it in conjunction with your policy booklet."* It also refers Miss H to the 'Important Notes' section of the schedule – and this contains a sub-heading 'Endorsements'. Under this sub-heading it explains an endorsement alters the standard terms of Miss H's insurance. It also says, *"It is important that you read and understand all endorsements printed below."* The endorsements are then listed on pages 9-10. On page 10 it says, *"A £250 excess applies to the personal possessions section of your policy in addition to your standard excess for this section of cover."*

RSA say the endorsement setting out an additional excess of £250 for personal possession claims was due to Miss H's claims history, which they say is reviewed each year in line with their underwriting criteria. Miss H may feel this is unfair, and I acknowledge she says no such endorsement had been applied in previous years. But I think it's important to mention here, it's for a business to decide what risks they're prepared to cover and how much weight to attach to those risks - different insurers will apply different factors. If an insurer decides to apply an endorsement based on claims history, and in line with their underwriting criteria, it doesn't mean they've acted unfairly.

Turning now to how the endorsement was communicated. The Insurance Conduct of Business Sourcebook ("ICOBS"), under ICOBS: 2.2.2 R requires information from a business to be clear, fair and not misleading. Having reviewed the policy schedule, I think RSA have acted fairly in communicating the endorsement to Miss H so I can't say the information was unclear, unfair and misleading.

Miss H says it's misleading for RSA to state at the beginning of the schedule the excess is £25 and then hide an endorsement further down the schedule saying there's an additional excess of £250. Miss H believes, the fact that the excess has increased so much, the total excess should have been noted at the beginning of the schedule. I do acknowledge Miss H's points, but I can't say RSA have acted unreasonably here. The schedule does ask Miss H to check all documentation and also, specifically, highlights the importance of reading the endorsements. I do acknowledge Miss H's point about why it would be beneficial for any changes to excess to be highlighted at the beginning of the schedule, but it's not unusual or uncommon for insurers to list any endorsements separately.

I note Miss H feels it's misleading to set out an excess of £25, but then later include an additional excess of £250 – and she feels this was an attempt to hide the fact there was an additional excess. I don't believe it was misleading or an attempt to hide information because, as mentioned above, the notes in the schedule do refer Miss H to the endorsements. Also, on page 3 where it notes the standard excess of £25, there's nothing to suggest this is the only excess payable in the event of a personal possessions claim. So, I can't say the information was misleading or in any way unclear or contradictory.

I acknowledge Miss H says, had she originally taken out the policy, she wouldn't have known about the additional £250 excess until she made a claim. I note Miss H also says she has been with RSA for 30 years and she has never read the small print as it usually sets out standard terms and conditions. Miss H says she has never felt it necessary to review the whole policy schedule, so she wouldn't have had any reason to review it now. I do acknowledge Miss H's points, but as mentioned above, the information about the excess endorsement was contained in the schedule – and it would be the policyholder's responsibility to read the schedule to ensure they're happy with the terms and cover.

I do understand Miss H has strong feelings about how the information about the additional excess was communicated to her. But, for the reasons mentioned above, I can't say information about the excess wasn't communicated clearly. I acknowledge Miss H's point about not needing to read endorsements previously, but each renewal acts as a new annual contract of insurance. So, even if previous years' schedules haven't set out any additional endorsements, it doesn't mean an insurer can't change that on a particular year. That's why I think it's important for an insurer to communicate any endorsements clearly, and also draw a customer's attention to the importance of checking all information in the policy documentation – and that's what RSA have done here.

Putting things right

I've taken the view that RSA have made an error in their pricing calculation for Miss H's policy. They've offered to reinstate the policy for the price of 219.09 from the original renewal date of 27 July 2023. They've also offered to cover the £39.50 cost of Miss H cancelling her policy with her new insurer and issuing a letter of dual insurance to enable Miss H to obtain a refund of the premium paid. They've also offered £75 compensation for the trouble and inconvenience caused. They've also offered £25 compensation for the confusion caused by RSA when they discussed the endorsement with Miss H. I can see Miss H has accepted the resolution offered by RSA and they've reinstated the policy. So, RSA should take the steps they've proposed, and I've mentioned here, if they haven't done so already.

My final decision

My final decision is that I partially uphold the complaint. Royal & Sun Alliance Insurance Limited must take the steps in accordance with what I've said under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 8 January 2024.

Paviter Dhaddy
Ombudsman