

The complaint

Mr K complains about the price quoted by Liverpool Victoria Insurance Company Limited ("LV") to renew his home insurance policy.

What happened

Mr K says he received a quote to renew his policy which was significantly higher than what he'd paid the previous year. Mr K says he was expecting a slight increase but not to this extent, so he complained.

LV responded and explained they'd made changes to improve the accuracy of their premium calculations. They explained they can't share the specifics on how they calculate premiums as this is business sensitive information. LV explained, normally they would've introduced changes like this to new customers only and then slowly introduced it to their existing customers with restrictions on how much their premiums would increase to reduce the likelihood of a large premium increase like Mr K has had. LV said, however, the new Financial Conduct Authority ("FCA") pricing rules which came into effect meant they had to apply the same tariff to both existing and new customers which has led to some existing customers being impacted more than LV would've liked.

Our investigator looked into things for Mr K. He thought LV hadn't treated Mr K unfairly in relation to the pricing. Mr K 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 Mr K 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 Mr K paid a premium of £815.91 in 2022 but then received a quote for £1,379.80 in 2023 – this is around 69% more than what he paid the year before.

So, I understand why Mr K is concerned about the price increase. LV have provided me with confidential business sensitive information to explain how Mr K's price increase was calculated. I'm afraid I can't share this with him because it's commercially sensitive, but I've checked it carefully. And, I'm satisfied the price he has been charged has been calculated correctly and fairly and I've seen no evidence that other LV customers in Mr K's position will have been charged a lower premium.

As mentioned above, I can't provide specific detail about LV's risk model, but I can see one factor for the increase relates to new rules for general insurance pricing 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 Mr K was offered his renewal by LV, so they did need to follow these at the time. And, given they've done this – and the information provided shows Mr K hasn't been charged more than the ENBP - I can't say they've acted unfairly if this has resulted in a change in price.

As I've said, I cannot share all the information Mr K would likely want to see to understand why his premium increased as it did at renewal. A large reason for the change is in response to the FCA pricing rules and LV taking the steps they needed to, allowing them to be compliant with these. Mr K may feel this is unfair, but LV, like all insurers, will review their approach to risks at different points and this will result in changes to the premium. They have explained the ENBP was a change across all their policies as they changed their approach. So in short, they have treated all customers the same with the change and Mr K hasn't been treated differently or unfairly when they chose to change their approach.

I can see the 2023 renewal also took into account an accidental damage claim which occurred earlier in the year. The information provided by LV shows the affect this had on the price – again I can't share this with Mr K, but I have carefully reviewed this. So, I can't say LV have made a mistake here when calculating the renewal. And, in taking the claim factor into account in the way they have, I can't say LV have treated Mr K unfairly.

LV have described how they refreshed their rating system to more accurately reflect the expected costs they underwrite and how this led to Mr K's premium increasing at renewal. In addition to this, I can see LV did, in their renewal quote, remind Mr K that he could shop around to see if he could get a better price. It's not clear when Mr K first took out his policy, but if there have been at least four renewals, then section 6.5 of the Insurance Conduct of Business Sourcebook ("ICOBS") requires a business to provide specific wording about the benefits of shopping around. So, as well as treating Mr K fairly, I think they've also acted in line with requirements set out under ICOBS.

I can see Mr K also complains about the steps taken by LV when he moved address a few days before the policy was set to renew. He says he informed LV and they sent him a quote for his new address which was for £1,711.92. Mr K explains this is not only a further increase compared to his 2023 renewal for his previous address but also more than double what he paid for his previous address in 2022.

Mr K questions how the price can be higher than the 2023 renewal for his previous address when his new address isn't too far from his previous address, and he points out the move has led to a refund in premium for his car insurance policy with LV. Mr K questions how a price increase for his home insurance can be justified when his car insurance has become cheaper. Mr K also raises concerns about his travel insurance with LV, which he says has also increased despite him having never made a claim.

I think it's important to make clear, my decision only focusses on Mr K's home insurance price increase for his previous address – as that is what is covered in LV's complaint response. I note Mr K says he queried the price increase for his new address, but I haven't seen evidence that Mr K has raised a complaint and LV have provided a response to this complaint or his concern relating to the travel insurance. Mr K will need to raise these as complaints with LV in the first instance before our service is able to consider these.

I understand why Mr K has complained, and I hope he feels reassured that I've checked the pricing information from LV. But I can't say they've made a mistake or treated Mr K unfairly. I wish to reassure Mr K 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 Mr K to accept or reject my decision before 14 September 2023.

Paviter Dhaddy
Ombudsman