

The complaint

Mr C complains about the price charged by U K Insurance Limited (“UKI”) to renew his motor insurance policy.

What happened

Mr C received a quote to renew his policy for 2023 which was higher than what he’d paid the previous year. Mr C contacted UKI to discuss his concern about the price increase. He says the call handler explained they couldn’t offer any discount. Mr C says the call handler provided a breakdown of the price and Mr C noted the price for the optional breakdown cover was higher than the previous year. Mr C complained about the price increase, and he also asked the call handler to make a note asking the complaint handler to listen to a recording of this call. Mr C then received a call from the complaint handler and he says they explained there wasn’t a note asking them to listen to the previous call. Mr C also complained about not receiving a hard copy of the 2023 renewal.

UKI responded and explained the price increase for 2023 was down to rate changes. They said there are many factors that go into rating a policy and the renewal quote Mr C received was the best price they could offer. UKI accepted their price for breakdown cover was more expensive than the price quoted by the provider direct. UKI said, as with any product, if customers shop around, they can find different prices for the same product. UKI accepted the first call handler hadn’t made a note asking the complaint handler to listen to the recording of the first call, but they were satisfied all complaints had been addressed in any event. UKI said they would provide feedback to the first call handler who failed to make a note about Mr C’s request. UKI explained Mr C couldn’t access his documents online as the renewal window was too far away at the time, and they could see they were made available around three weeks before the renewal date.

Our investigator looked into things for Mr C. He thought UKI hadn’t treated Mr C unfairly in relation to the pricing. Mr C 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 C will be disappointed by this but I’ll explain why I have made this decision.

Pricing and renewal information

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 C paid a total premium of £255.32 for his policy in 2022 but then received a quote for £374.87 in 2023. This is around 47% more than what he'd paid the previous year, so I do understand why Mr C is concerned. I can see Mr C believes the price increase was more than this, but I think it's important to clarify the price of £230.03 that Mr C refers to, wasn't his renewal price for 2022. The renewal invite sent in 2023 refers to the figure of £230.03 as being a comparable premium for 2022 based on the changes and ratings applied to the 2023 policy. So, this price was provided purely as an indication of what Mr C would've paid in 2022 had the changes in 2023 been applied to the previous year's policy. As mentioned above, the actual price Mr C paid for his policy in 2022 was £255.32.

UKI have provided me with confidential business sensitive information to explain how Mr C's renewal price 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 was quoted has been calculated correctly and fairly and I've seen no evidence that other UKI customers in Mr C's position will have been charged a lower premium.

As mentioned above, I can't provide specific detail about UKI's risk model, but I can see one factor which led to the price increase was claims inflation – which is impacted by the rising costs of settling claims. It's been widely publicised over the last year that the price of insurance has increased due to claims inflation and insurers facing rising costs in settling claims – and this includes the cost of used cars going up as well as parts and materials. I've seen how Mr C's policy was rated and the loadings which have led to the price increase. This forms part of UKI's pricing model so it applies to all policies. I think that's important here as it demonstrates the pricing model used to calculate Mr C's premium was no different to what was used for any other customer in the same circumstances.

I acknowledge Mr C feels the price increase is unfair, but 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. That's not to say an insurer offering a higher premium has made an error compared to an insurer offering a cheaper premium – but rather, it reflects the different approach they've decided to take to risk.

In addition to this, I've seen the renewal letter sent to Mr C in 2023 and I can see UKI did remind Mr C that he could shop around to see if he could get a better price. As 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 C fairly, I think UKI also acted in line with requirements set out under ICOBS.

I do appreciate Mr C will want to know more detail around what specific factors have led to the premium increase and he was left frustrated at not receiving a response to his questions about the specific factors which have contributed to the increase. Pricing is an area where the information which sits behind an insurer's explanation will often be commercially sensitive. So, I don't think UKI have acted unreasonably in not providing Mr C with details of the specific ratings and loadings used to calculate the price.

I can see part of Mr C's complaint involves the price of the breakdown cover. The information shows this was an optional add-on, and the price for this in 2022 was £67.59 but this increased to £94.99 in 2023. I understand Mr C is concerned as he was able to get the same level of breakdown cover direct from the provider for a cheaper price. While I acknowledge why this concerned Mr C, I can't say UKI have acted unfairly here. They've provided information which shows how they calculated the price for the breakdown cover,

and the reason why this increased from the previous year. I acknowledge Mr C says he found the same breakdown policy for a cheaper price, but I can't say UKI have made an error here. And I think it's also important to make the point that UKI did notify Mr C about the benefits of shopping around – so I think they've acted fairly and reasonably in the circumstances.

Mr C is also concerned he didn't receive a hard copy of his 2023 renewal which he says he needed in order to compare this with the previous year's price. UKI say this wouldn't have been available until around three weeks before the renewal date and I can see this was later made available through Mr C's online account. I understand why Mr C wanted more detail around the premium breakdown, but I can't see there has been any detriment to Mr C by not receiving a hard copy of this at the time.

I say this because during Mr C's first call with UKI – which was more than three weeks before the renewal date – the call handler provided Mr C with a breakdown of the premium. The call handler explained the system showed the breakdown for each individual component making up the renewal premium and explained the price for the net premium, the protected No Claim Discount, the motor legal cover and the breakdown cover. During the call, and as the call handler read out the individual prices of these, Mr C confirmed the price of each component in the previous year's policy. So, given that Mr C wanted the renewal premium document to enable him to compare the breakdown of the renewal price with the previous year's breakdown, I can't say there has been any detriment to Mr C of not receiving the document sooner as he was able to compare the breakdown during the phone call.

I can see Mr C has referred to a few articles relating to the rising cost of insurance. As mentioned above, this fact has been widely publicised over the last year, so I agree with the underlying point Mr C is making here about insurance prices increasing. But, while I have reviewed the articles, this doesn't suggest Mr C's policy was rated unfairly. As mentioned above, I accept there has been a price increase, but from the information I've seen, I can't say Mr C's policy was rated and priced unfairly.

Mr C has also referred to a 'past business review' carried out by the broker for his policy as a result of having charged some existing home and motor customers more for their renewal than they would've done if they were a new customer. I understand why Mr C is concerned by this, but the broker has confirmed to our service that they've concluded their review into Mr C's policy and found that his policy wasn't affected.

Complaint handling

I can see Mr C is unhappy about UKI's complaints handling. He refers to a request he made for the complaints handler to listen to the recording of his call with the first call handler and about the complaint response being written by a member of staff Mr C had raised a complaint about. Complaint handling isn't a regulated or other covered activity. So as a general rule, and in line with the law, if the complaint is solely about complaint handling, we wouldn't be able to look into things. Where complaint handling forms a part of a customer's complaint, then we can take into account complaint handling when looking at the overall customer experience. In this case, I can't say the issues which Mr C raises about the complaints handling are an extension of the issues which relate to regulated activities, so I can't look into the complaint handling part of the complaint.

I acknowledge Mr C says he has been a loyal customer of UKI, yet he believes he hasn't been treated fairly. I fully understand why, on this basis, Mr C has complained, and I hope he feels reassured that I've checked the pricing information from UKI. But I can't say they've made a mistake in how they've rated Mr C's policy or otherwise treated him unfairly. I wish to reassure Mr C 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 C to accept or reject my decision before 12 June 2024.

Paviter Dhaddy
Ombudsman