

## **The complaint**

Mr S and Mrs S complain about the price quoted by U K Insurance Limited (“UKI”) to renew their home insurance policy.

Mrs S has acted as the main representative during the complaint process. So, for ease of reference, I will refer to any actions taken, or comments made, by either Mr S or Mrs S as “Mrs S” throughout the decision.

## **What happened**

Mrs S says she received her renewal invite which quoted a price 30% higher than what she’d paid the previous year, so she called the broker. Mrs S queried the price increase and the broker then looked at a policy offering different cover, but UKI quoted a price which was still higher than what she’d paid the previous year. Mrs S then obtained an online quote from UKI as a new business customer and this produced a much cheaper price for the same cover. Mrs S then called again to discuss the online quote she’d received and UKI then quoted a different price which was still higher than the online quote. So, Mrs S complained. UKI responded and explained the quote Mrs S obtained online was from a different brand to the one being offered by them. They also explained it wasn’t a like for like policy as they included different underwriting information.

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

I think it’s important to firstly make clear the role of various parties in insurance. When taking out insurance, a customer will often communicate with an insurance intermediary who is responsible for arranging, selling and administering the policy – often this will be a broker. The insurer is the business which underwrites the policy and decides on a price. In this case, that’s UKI. So, while I can see Mrs S’s contact was primarily with the broker, and she has concerns about the information she was given, my decision here focusses only on the actions of UKI as the insurer.

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 understand Mrs S paid £226.24 for her 2022 policy, and she was then quoted £306.88 for her 2023 renewal - which was for a home plus cover policy. Mrs S then called the broker to raise a query about the price and the call handler explained this was the best price they could offer. Mrs S queried what UKI can do to bring the price down and the call handler explained Mrs S is on a home plus cover policy, but they can look into a home standard cover policy. The call handler then provided a quote for a home standard cover policy at £287.84 – the call handler also discussed how this cover provided a reduced level of cover compared to a home plus cover policy. Mrs S then obtained an online quote for £163.52 for a new business home standard cover policy and discussed this with the renewals team. The call handler then brought up the details for this online quote and then quoted a renewal price of £220.64.

UKI have provided me with confidential business sensitive information to explain how Mrs S's price increase was calculated. I'm afraid I can't share this with her because it's commercially sensitive, but I've checked it carefully. And, I'm satisfied the price she has been quoted has been calculated correctly and fairly and I've seen no evidence that other UKI customers in Mrs S'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 a factor which has led to the increase relates to claims inflation – and this being affected by external factors which have led to an increase in claim costs incurred by UKI. UKI have described how they refreshed their rating system to more accurately reflect the expected costs they underwrite and how this led to Mrs S's premium increasing at renewal. They have explained this 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 Mrs S hasn't been treated differently or unfairly when they chose to change their approach.

I understand Mrs S is concerned that she was able to obtain a cheaper quote online as a new business customer in comparison to her renewal quote – and she feels this goes against pricing rules. The new rules Mrs S refers to here relate to general insurance pricing introduced by the Financial Conduct Authority ("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 was offered her renewal by UKI, so they did need to follow these at the time. I understand therefore why Mrs S is concerned as she feels UKI aren't following these rules which prevent insurers from charging a renewing customer more than a new customer.

While I accept there is a difference in price between the renewal quotes provided by UKI and the quote Mrs S obtained online, I think it's important to note that these aren't like for like policies. UKI have provided information which shows the original quote for £306.88 was for a policy providing a higher level of cover than the policy for which they quoted a price of £287.84. And while the £287.84 quote was for a home standard cover policy – which is the same cover Mrs S obtained a new business quote for – there are differences between these two policies.

Firstly, the quote obtained by Mrs S is for a policy being offered by a different brand compared to the one which was offered by UKI. And, as mentioned above, the FCA accepts that policies bought through different brands will likely offer similar cover at different prices. Secondly, the details used to obtain the online quote differed to the details used by UKI when quoting a price of £287.84 – in particular, the online quote contained a higher excess and lower personal possessions limit. These are factors which will affect the price of insurance. When the call handler matched these details on the renewal quote, the price then came down to £220.64. While I accept this is still higher than the new business quote obtained by Mrs S, it's important to note these two quotes relate to a different brand and were obtained using different sales channels. So, I can't say UKI have failed to offer Mrs S an ENBP or otherwise treated Mrs S unfairly.

I understand Mrs S is concerned about a claim showing on her policy and the affect this has had on her premium. I've listened to a call recording where Mrs S discusses this with a call handler. They explain there are two claims showing on Mrs S's policy, one from 2020 which is showing as information only, with no claim being made. And there's another record relating to 2021 which is showing as closed as Mrs S didn't wish to go ahead with a claim. I can see UKI say this didn't have an impact on the premium. But, given the nature of the information showing on her policy – and neither of these notifications leading to a claim – I understand why Mrs S is concerned about whether this has impacted her price.

UKI say this hasn't impacted the price and, looking at the information provided by UKI, I'm persuaded this is the case. I say this for two reasons. Firstly, and as already mentioned above, I've looked at the pricing information provided by UKI, and this shows the increase was down to an increase in UKI's costs to settle claims. Secondly, Mrs S's policy schedule shows nine years no claims discount. I've listened to a recording of an internal call between staff at the broker, and a member of the renewals team confirms how a claim would've affected the no claims discount. Given that Mrs S's no claims discount hasn't been affected in this way, I don't think UKI have treated either of the notifications as a claim.

I understand Mrs S is concerned about the customer service received during the phone calls with the broker and about an attempted mis-sale of a policy offering reduced cover. As mentioned above, my decision is only looking at the actions of UKI as the insurer. If Mrs S would like to raise additional complaints about the administration services provided by the broker, then she'll need to raise these with the broker before our service is able to consider these.

I note Mrs S is primarily concerned about the price increase and the difference in the quote provided by UKI and what she obtained online. But, I hope she feels reassured that I've checked this and the price increase is down to claims inflation – which is reasonable in the circumstances. And while I do agree with Mrs S that she has obtained a new business quote online which is cheaper than the renewal quote, for the reasons I've explained above, I can't say UKI have acted against the pricing rules set by the FCA. I note Mrs S says she's concerned UKI now appear to be offering a percentage reduction for new business customers and not renewing customers. I can't see that has been the case here and, in this decision, I can only look at the service provided to Mrs S. If Mrs S has wider concerns about UKI's compliance with the pricing rules, then she may wish to raise these with the FCA. I wish to reassure Mrs S I've read and considered everything she 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 S and Mrs S to accept or reject my decision before 31 August 2023.

Paviter Dhaddy  
**Ombudsman**