

The complaint

Mrs S and Mr S complain about the price quoted by Lloyds Bank General Insurance Limited ("Lloyds Bank") to renew their home insurance policy. They also complain about the service received when they called Lloyds Bank and about the delay in them receiving the renewal invite.

What happened

Mrs S and Mr S say, on 5 January 2023, they received a letter dated 4 December 2022 with a quote to renew their policy. Mrs S and Mr S say the price was five times more than what they'd paid the previous year and was due to renew the following day on 6 January. Mr S called Lloyds Bank to complain but they didn't register a complaint and he had to make several calls before a complaint was registered. Mr S complained about the price quoted and about Lloyds Bank taking into account two claims made the previous year – which he feels should only have been one. Mr S also complained about the delay in him receiving the renewal invite, which left him with insufficient time to find an alternative policy and about the customer service received when phoning Lloyds Bank.

Lloyds Bank responded and explained Mrs S and Mr S had been transferred to a new policy as they no longer offered the previously held policy. Lloyds Bank said they'd made the decision to move all customers from their older products on to their new product which is available to new customers. Lloyds Bank said the price Mrs S and Mr S received in the recent renewal reflected changes they'd made following rules introduced by the Financial Conduct Authority ("FCA"). They explained this meant existing customers couldn't be charged more than new customers. They explained they regularly update their view of changes in claims trends across different areas and different types of property. They said, in relation to Mrs S and Mr S's policy, one of the main reasons for the price increase is that they updated their view and now believe the insured property is more likely to suffer damage from leaking water and windstorm. Lloyds Bank explained they'd sent the renewal invite a month before the renewal date so they can't be held responsible for any delay in this being received. In relation to the phone call, Lloyds Bank accepted the service had fallen short, so they paid £100 compensation.

Our investigator looked into things for Mrs S and Mr S. He thought Lloyds Bank hadn't treated Mrs S and Mr S unfairly in relation to the pricing. And he agreed the £100 compensation paid was reasonable. Mrs S and Mr 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 Mrs S and Mr S will be disappointed by this but I'll explain why I have made this decision.

Renewal price

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 Mrs S and Mr S's premium for their 2022 renewal was £462.68. They were then quoted £2,418.17 to renew their policy in 2023. So, I do understand why Mrs S and Mr S are concerned about the increase in the premium. Lloyds Bank have provided me with confidential business sensitive information to explain how Mrs S and Mr S's premiums were calculated. I'm afraid I can't share this with them because it's commercially sensitive, but I've checked it carefully. And, I'm satisfied the premium they've been quoted has been calculated correctly and fairly and I've seen no evidence that other Lloyds Bank customers in Mrs S and Mr S's position will have been charged a lower premium.

I acknowledge Mrs S and Mr S will likely want a more detailed breakdown showing the reason for the increased premium. As mentioned above, I can't provide specific detail about Lloyds Bank's risk model, but I can see one factor 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 Mrs S and Mr S were offered their renewal by Lloyds Bank in 2023, so they did need to follow these at the time.

Lloyds Bank have described how they changed their approach to comply with the FCA rules by transferring all existing customers holding an older product on to a new product – which is available to new customers. I acknowledge Mrs S and Mr S say this wasn't a like for like policy when comparing this with their previous policy. Another reason which has led to the price increase is Lloyds Bank's change in view of the likelihood of Mrs S and Mr S's property suffering damage from leaking water and windstorm. Lloyds Bank have provided information which demonstrates how this has impacted the price. I acknowledge Mrs S and Mr S may feel such a significant increase is unfair and they also point out they've held home insurance with Lloyds Bank for many years but leaking water and windstorm have never previously been raised as an issue.

Lloyds Bank, like all insurers, will review their approach to risks at different points and this will result in changes to the premium. They have explained this, together with the ENBP and transferring existing customers to a new product, 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 and Mr S haven't been treated differently or unfairly when they chose to change their approach.

In addition to this, I've seen the renewal letter sent to Mrs S and Mr S in 2023 and I can see Lloyds Bank did remind Mrs S and Mr S that they could shop around to see if they 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 Mrs S and Mr S fairly, I think they’ve also acted in line with requirements set out under ICOBS.

Claims recorded on policy

I understand Mrs S and Mr S are concerned about two claims being recorded on their policy, when they believe one of these carried no benefit for them. The claim they’re referring to relates to a collapsed drain, which Lloyds Bank declined. I do therefore understand why Mrs S and Mr S are concerned about this potentially impacting the renewal price when the claim was declined. But I’ve seen from information provided by Lloyds Bank, they arranged for investigative work to be carried out to identify the problem – and paid out costs for this. While I accept they declined the claim, it’s not unreasonable for Lloyds Bank to take into account a claim which led them to pay out contractor fees.

Delay in receiving the renewal invite

I acknowledge Mrs S and Mr S’s concern about the delay in receiving the renewal quote – and in particular, their concern that the policy was due to renew automatically the day after the invite was received. I note Mr S says, given the very limited timeframe, he had little option but to continue with the policy until he found an alternative policy. I understand Mrs S and Mr S then cancelled this policy after finding a cheaper policy.

We would expect insurers to send renewal information in sufficient time to enable a customer to review the key information, including price, and make an informed decision on whether to continue with the policy. A sufficient time period also allows a customer to look for an alternative policy. In this case, it’s unfortunate the renewal invite was only received a day before the policy was due to renew, but I’ve seen the letter and it’s dated 4 December 2022 – which is around a month before the renewal date. I can see Mr S acknowledges there were postal strikes around this time, but he doesn’t believe this would’ve affected post for over a month. I acknowledge Mr S’s points, but I can’t hold Lloyds Bank responsible for any delays which might’ve occurred with the postal service. I do understand this left Mrs S and Mr S in a position where they had very little time to shop around for an alternative policy before the renewal date, but I can’t say Lloyds Bank delayed in sending renewal details.

Customer service

In relation to Mrs S and Mr S’s complaint about the phone call, the key facts about this part of the complaint aren’t in dispute. Lloyds Bank have admitted they got things wrong when Mr S had to make several calls in order to register a complaint. The only issue I have to decide is whether their payment of compensation is fair and reasonable. I think it’s right that Lloyds Bank should compensate Mrs S and Mr S for the frustration and inconvenience caused. I can see Mr S called to complain about the renewal price and, although a complaint was registered a few days later, it took several calls before this was done.

So, while there’s been an error, I think the impact was limited given that a complaint was then registered a few days later. So, I think the £100 already paid is fair and reasonable in the circumstances.

I understand Mrs S and Mr S will be disappointed, and I fully understand why the 2023 renewal price led them to complain. But I hope my reasoning provides them with reassurance that they haven’t been treated unfairly or differently to other customers in the same circumstances. I wish to reassure Mrs S and Mr S I’ve read and considered everything they’ve 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 Mrs S and Mr S to accept or reject my decision before 4 August 2023.

Paviter Dhaddy
Ombudsman