

The complaint

Mr and Mrs S have complained about their car insurer Aviva Insurance Limited regarding the price it said it would charge for their renewing policy, the premium had increased by nearly 40% from the year before.

What happened

Mr and Mrs S's policy was due to renew in November 2022. Renewal documents were presented to Mr and Mrs S and they noted the premium had increased from that charged the year before. Last year's premium of less than £300 had increased to around £400. They called Aviva to discuss the increase, they wanted to know why it had increased so much and if it could be amended. They weren't happy with the answer Aviva gave and eventually cancelled the cover, taking out a new policy elsewhere.

Aviva told Mr and Mrs S that the policy had increased for a variety of reasons, but it couldn't be specific. It did offer a reduction, but its best price was still over a hundred pounds more than what they'd paid the year before. In two final response letters Aviva explained and confirmed that the price for each year's cover is based on current risk data available at the time, and it can't reasonably divulge the data to Mr and Mrs S that was relevant to their renewal. It noted that they had three cars in total insured with it and explained that two are on a different policy – so are subject to different ratings. When Mr and Mrs S remained unhappy, they complained to the Financial Ombudsman Service.

Our Investigator felt Aviva had answered Mr and Mrs S's concerns as far as it was reasonably able and that it had acted fairly when pricing the cover. So he wasn't minded to uphold the complaint.

Mr and Mrs S felt the increase from the year before was just too much to be considered fair. Their complaint was passed for an Ombudsman's consideration.

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.

I realise it was upsetting for Mr and Mrs S to see the cost of cover for the renewing policy. I understand that it presented a significant increase on the price of cover for the year before. However, I'm not persuaded Aviva did anything wrong.

Each year of cover is a new contract. This means that the insurer can change the details from the year before – and a renewing policyholder has the opportunity to accept that renewal offer or, if it doesn't suit them for some reason, they can choose to not renew.

No insurer is bound to offer cover at renewal for the same price as the year before, not even within particular parameters of that charged the year before eg within a certain percentage. And this service doesn't get involved, as such, in determining whether a specific figure, or

change in the price of cover is, in itself fair. That is because how an insurer prices its cover is a matter of commercial judgement.

How an insurer prices cover is also subject to commercially sensitive information. That is because each insurer will view a number of factors or 'risks' when setting its price for cover. The relevant factors, and how the insurer perceives the risks presented by each will change between insurers and even sometimes amongst products offered within an insurer's group of business. And insurers constantly review the risks that they apply – which is why there can sometimes be significant changes between one renewal and the next, even if, from the policyholder's perspective, nothing has changed for them.

I understand that here, whilst Mr and Mrs S's renewal price for cover was significantly increased from the price for cover charged the year before, their situation had not changed. However, Aviva has explained to us that its perception of certain risks had changed. Which meant that when their policy was priced at renewal, the cost it was charging for cover had increased significantly from the year before. I appreciate that Mr and Mrs S think that increase was just too much – that it can't be justified. But I have seen Aviva's price calculation and I can see that changes have occurred which have caused the price to increase. I'm satisfied that these are prices Aviva would have applied to others presenting similar risk characteristics. In that sense the price Aviva has charged, even noting its increase from the year before, is fair.

I appreciate that Mr and Mrs S would like something more specific from the Financial Ombudsman Service. Something more like an assessment of whether the percentage increase is fair i.e. can Aviva fairly increase the price for cover at renewal by that much. But that is not something I can comment on. As I've explained above each year is a new contract of insurance and changes, including to the price, can be made. A policyholder is free to consider that offer of renewal and accept or decline it. And this service doesn't get involved in issues that are the subject of commercial judgement for insurers – such as how much to charge for cover. Here I'm satisfied that things changed for Aviva after the previous renewal which meant that when the next renewal offer was created it was subject to a significantly increased premium. Overall I'm satisfied that Aviva acted fairly and reasonably.

My final decision

I don't uphold this complaint. I don't make any award against Aviva Insurance Limited.

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 25 August 2023.

Fiona Robinson

Ombudsman