

The complaint

Mr W complains about the price charged by Liverpool Victoria Insurance Company Limited ("LV") to renew his car insurance policy. In particular, he's concerned the price he received at renewal was higher than the price he received as a new business customer.

What happened

Mr W received a quote from LV to renew his policy for 2023 which he says was more than what he'd paid the previous year. Mr W says he contacted LV to negotiate a lower price, but they declined this on the basis it wasn't possible. Mr W says he obtained a quote online through a broker which was cheaper. Mr W says the insurer for this policy was also LV so he complained as this goes against fair pricing rules introduced by the Financial Conduct Authority ("FCA") and they also lied to him when they claimed they couldn't reduce the price. LV responded and explained the products they offer differ from the products they underwrite for brokers. They explained a direct policy from LV also differs in terms of sales channel from a policy bought through a broker. LV said the two policies weren't therefore like for like – and as a result their quote was in line with the FCA fair pricing rules.

Our investigator looked into things for Mr W. He thought LV hadn't treated Mr W unfairly in relation to the pricing. Mr W 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 W 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 W paid £863.62 in 2022 but then received a quote for £1,120.31 in 2023 – this is around £250 more. LV had written to Mr W to say this was the lowest price they could provide. Mr W searched online and found a cheaper policy as a new business customer through a broker but with LV as the insurer. So, I do understand why Mr W is concerned. LV have provided me with confidential business sensitive information to explain how Mr W'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 LV customers in Mr W's position will have been charged a lower premium.

Given that Mr W obtained a cheaper price from LV as a new customer, I do understand why he believes he hasn't been treated fairly and in line with the FCA fair pricing rules. The rules for general insurance pricing which Mr W refers to were 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 W was offered his renewal by LV, so they did need to follow these at the time.

It's clear there is a difference in price, with the renewal price being higher than the new business price. But I think it's important to note here, there are a number of factors which have led to this and, having looked at those factors, I can't say it's unreasonable for there to be a difference in price. Firstly, it's not unusual or uncommon for there to be a difference in price for different products. The policy bought by Mr W as a new customer, and through a broker, is a different product than the product LV offered on renewal. That being the case, the new business price has been calculated on a different platform and pricing structure compared to the renewal. Secondly, the new business price was obtained through a different sales channel than the one used by LV to generate the renewal policy – and I think it's important to again point out that the FCA understands that different sales channels for the same brand might result in different prices and it accepts this is fair.

Taking these factors into account, while the renewal price was higher than the new business price, I can't say LV have acted against the FCA pricing rules and failed to provide Mr W with an ENBP. There is a price difference, but the two policies aren't identical in either the product or the sales channel. There's also a difference in the date the renewal quote was calculated and the new business quote. As mentioned above, The ENBP needs to be reflective of the new business price the day the renewal invite is generated – and in this case, it wasn't the same date. In addition to this, it's not unusual or uncommon for there to be a difference in price where quotes are obtained on different dates. Generally this does impact the price as insurers regularly refresh their ratings to take into account internal and external factors.

I acknowledge Mr W believes LV lied to him when they informed him they couldn't reduce the price below £1,120.31 – and I do understand why Mr W holds this view given the cheaper price he obtained with LV still being the insurer. But, as mentioned above, the product and sales channel were different, so this wasn't like for like in all the circumstances. So, while I do acknowledge Mr W's concern, I can't say LV have misled him as I've seen no evidence the same renewal policy was available direct from LV at a cheaper price.

I can see Mr W also raised a concern about LV ignoring his original letter. LV apologised for this in their complaint response and also acknowledged they didn't pick up on the fact that Mr W had made it clear in his original letter that he'd taken out a policy through a broker. LV upheld this part of Mr W's complaint and arranged to send Mr W £50 compensation – and I think that's fair and reasonable in the circumstances.

I understand the crux of Mr W's complaint relates to him believing that he, as a loyal customer at renewal, hasn't been treated the same as a new business customer. I fully understand why, on this basis, Mr W 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 failed to offer Mr W an ENBP. I wish to reassure Mr W 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 W to accept or reject my decision before 27 December 2023.

Paviter Dhaddy
Ombudsman