

The complaint

Mrs S complains about the price charged by Liverpool Victoria Insurance Company Limited ("LV") to renew her car insurance policy.

The complaint has been brought by a representative on behalf of Mrs S – who I'll refer to as Mr S.

What happened

Mrs S received a quote to renew her policy for 2023 which Mr S says was significantly higher than what Mrs S paid the previous year. So, Mr S queried this with LV as he wanted to know the specific reasons for the price increase as well as a breakdown of the costs to demonstrate the price increase was justified and proportionate. LV explained they couldn't provide the detail Mr S was asking for, so he complained. LV responded and explained they take many different factors into consideration when calculating a renewal, such as, personal details, claims, conviction history, property and the area a customer lives in. They said there are also external factors they consider such as the rising cost of claims. They said they also use their claims information to understand how often and how much their customers are claiming for, which is always changing, depending on things like parts costs and availability. They explained they base their renewal premiums on various underwriting criteria, but they're unable to disclose details of this due to the information being business sensitive.

Our investigator looked into things for Mrs S. He thought LV hadn't treated Mrs S unfairly in relation to the pricing. 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 Mr S 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 Mrs S paid a premium of £474.34 in 2022 but then received a quote for £653.81 in 2023. This is around 38% more than what Mrs S paid the year before. So, I understand why Mr S is concerned about the price increase. LV 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 Mr S because it's commercially sensitive, but I've checked it carefully. And, I'm satisfied the price Mrs S has been charged has been calculated correctly and fairly and

I've seen no evidence that other LV customers in Mrs S's position will have been charged a lower premium.

As mentioned above, I can't provide specific detail about LV's risk model, but I can see the main factor which affected the price for Mrs S's policy was an increase in perceived risk across a range of rating factors. LV explain this has been applied to all policies. I think that's important here as it demonstrates the pricing model used to calculate Mrs S's premium was no different to what was used for any other customer in the same circumstances. Mr S may feel this is unfair, but LV, like all insurers, will review their approach to risks at different points and this will result in changes to the premium. So in short, they have treated all customers the same with the pricing structure and Mrs S hasn't been treated differently or unfairly when they chose to change their approach.

In addition to this, I can see LV did, in their renewal quote, remind Mrs S that she could shop around to see if she could get a better price. It's not clear when Mrs S first took out her policy, but if 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 fairly, I think LV have also acted in line with requirements set out under ICOBS.

I do appreciate Mr S 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 to LV. Pricing is an area where the information which sits behind an insurer's explanation will often be commercially sensitive. So, I don't think LV have acted unreasonably in not providing the detail requested by Mr S.

I can see Mr S questions how LV are able to refuse to disclose business sensitive information to him but are able to provide this to us. I do acknowledge Mr S's frustration at not being able to see LV's pricing model, but in reaching a fair and reasonable outcome, it's something I must take into account. We operate under a set of rules laid down by Parliament under the Financial Services and Markets Act 2000, published by the Financial Conduct Authority and known as the DISP rules. In this case, the relevant rule is DISP 3.5.9(2) which says, the Ombudsman may, "*accept information in confidence (so that only an edited version, summary or description is disclosed to the other party) where he considers it appropriate*"

I think it's important to point out that this rule doesn't place an absolute requirement on our service to provide an edited copy of a business' response to a complainant. There is a discretionary element here which allows an ombudsman to consider whether it's appropriate. In this case, I've provided Mr S with as much of a description that I'm able to provide without compromising LV's business sensitive information.

Mr S says the risk factors should be based primarily on previous accidents – and Mrs S hasn't had any. He says Mrs S's health remains in good shape for driving so he questions what risk factors have been taken into account. I do acknowledge Mr S's concerns here and, while the factors he has referred to do generally feature in an insurer's risk model, they aren't the only factors.

It's for an insurer to decide what risks they're prepared to cover and what ratings and loadings to apply. I've seen the rating factors which LV have taken into account and how the loadings have increased. So I can't say LV have made a mistake in how they've calculated Mrs S's renewal price.

As I've said, I cannot share all the information Mr S would likely want to see to understand why Mrs S's premium increased as it did at renewal. I can't provide specific detail about LV's

risk model, but LV have provided their rating tables, and this demonstrates the changes in their rating structure. I note Mr S says he requires proof the assessment carried out by LV is current, fair and has been done with due care and attention to the requirements set out by the Equality Act 2010. I wish to reassure Mr S I've taken the Equality Act 2010 into account when deciding this complaint – given that it's relevant law – but I've ultimately decided this complaint based on what's fair and reasonable.

I can see the factors which have attracted higher loadings don't relate to any protected characteristics. As mentioned above, it's for a business to decide what risks they're prepared to cover and how much weight to attach to those risks. We do however expect businesses to treat customers fairly, and in this case, LV increased Mrs S's premium at renewal correctly in keeping with the changes made to their risk ratings and underwriting guidelines. It's a change which has applied to all customers in the same circumstances, so, I can't say LV are adopting an approach which discriminates against customers with specific protected characteristics – or which otherwise treats them unfairly.

I can see Mr S says LV need to show their action is a proportionate means of achieving a legitimate aim. I have carefully considered Mr S's points but, from the information I've seen, I can't say LV have acted unfairly. While the price of Mrs S's policy did increase, the approach taken by LV and the information they've taken into account when changing their rating structure, isn't unfair or unreasonable. It's not uncommon or unusual within the insurance industry for an insurer to regularly review their rating factors and loadings to determine changes to their risk ratings – and that's what LV have done here. I acknowledge Mr S's point that LV haven't provided essential contractual information together with the renewal and he feels this shows a lack of due regard and mitigations required under the Equality Act 2010. As mentioned above, I do understand why Mr S wants more detailed information to better understand why the price increased as it did. But, given its commercial sensitivity, it's not unreasonable in the circumstances for LV to refuse to provide the detail Mr S has requested.

I understand why Mr S 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 treated Mrs S unfairly. I wish to reassure Mr S 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 Mrs S to accept or reject my decision before 25 December 2023.

Paviter Dhaddy
Ombudsman