ombudsman news

essential reading for people interested in financial complaints – and how to prevent or settle them

Financial Ombudsman Service

paying the price?

Caroline Wayman
chief ombudsman

Whether it's the weekly shop or a daily coffee, retailers are very good at convincing us to keep coming back. Swiping a loyalty card or getting a stamp is the norm for many people. And it's expected that this loyalty will be rewarded – whether it's in the form of vouchers and discounts, or just a free drink once in a while.

However, the same can't always be said for financial services. From introductory "teaser" rates on savings to initial interest-free periods on credit, in some areas it's arguably people who move around who end up getting better deals.

From the complaints we see, it's clear insurance is an area where people may feel they've been penalised for staying put. In particular, people who've stuck with their insurer for a number of years are telling us they've discovered they're paying far more than new customers – or more than they'd pay for similar cover elsewhere.

It's important to emphasise that setting the price of insurance is a complex business. There are all sorts of things going on in the background – not only to do with assessing risk, but also about enabling the insurer to stay in business. And our role isn't to tell insurers what to charge, or whether they're generally offering their customers value for money.

But insurers do have a responsibility to treat their customers fairly. That includes engaging with their customers about what they're paying in a way that's not misleading – and that allows them to make an informed choice. In a small but significant number of cases, we've seen that this hasn't happened – and people are paying the price for loyalty in a way that's simply not fair.

So when does the price of an insurance policy become a matter of fairness? The answer – as we've illustrated in this *ombudsman news* – inevitably lies in each customer's individual circumstances.

in this issue

meet us

we're in:
- **Nottingham 26 April 2018**
- **Reading 2 May 2018**
- **Wrexham 23 May 2018**

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For example, using price comparison websites is second nature to many people. And shopping around is something that's advocated by consumer champions – as well as the insurance industry. If someone's savvy enough to use those tools, it's reasonable to think they'd move on if they didn't feel they were getting a good deal.

But what about those who aren't able to shop around online – and are relying on their insurer's word for it that they've got competitively-priced cover? At what point should an insurer be proactive in engaging with someone they haven't heard from for a while? Or checking whether a long-standing customer might be vulnerable in some way?

Encouragingly, from our recent conversations with insurers, it's clear they're focused on addressing these issues. We'll keep the discussion going, especially as the Financial Conduct Authority's work in this area develops. And in the meantime, where it's clear to us that someone's loyalty has come at an unfair price, we'll take action to put things right.

Caroline

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insurance pricing

Over the last year or so we've continued to hear from people who are unhappy with the price they're paying to protect their homes, cars and other things that are most important to them.

Sean Hamilton
head of insurance practice group

The rising popularity of price comparison websites has meant customers have access to a greater choice of insurers than ever before. But not everyone chooses, or is able, to shop around. And a large number of people still rely on their existing insurer, who they've bought cover with for a number of years, to provide the cover at what they assume to be the most competitive price.

Recent media coverage has raised many concerns about what information insurers use to calculate prices and whether the prices on offer are truly reflective of the risks a customer presents. Both the Financial Conduct Authority (FCA) and the Competition and Markets Authority have introduced new rules and guidelines to help insurers and intermediaries give clearer information to customers about the products they offer and the prices they charge.

We asked one of our senior ombudsmen, Sean Hamilton, to tell us about some of the insurance complaints we see about pricing and explain our approach to dealing with these issues fairly.

do you see a lot of complaints about the cost of insurance?

We receive around 200 complaints a month from people unhappy with the price of their insurance. Many of these involve one-off increases, where insurance premiums have risen because of a claim or the insurer's view of risk has changed. But some people have complained about increases in their premiums over a longer period.

We've done a lot of work with insurers to understand how premiums are calculated – and in turn help us to determine whether customers have been treated fairly.

We'd generally expect an insurer to be able to show us what's given rise to an increase in the price. And that the same criteria would have been applied consistently to all their customers.

In most cases, we find that customers have been treated fairly. But in some, we do find evidence of mistakes being made by insurers or brokers, customers being misled about the price of their policy or inconsistent criteria being applied that's adversely affected some people. Where we think someone's been treated unfairly, we'll look to put that right.

144/1 – Mr K complains about an increase in price for his travel insurance after he'd accepted a quote

Mr K was planning to take a luxury cruise with his wife and wanted to take out travel insurance for the trip. Mr K called the insurer and underwent a full medical screening for him and his wife. After the screening, the sales adviser gave him a quote of £380 for comprehensive insurance for the holiday. This was guaranteed for 30 days. Mr K told the insurer he wanted to secure his booking before paying for the policy.

When Mr K called the insurer back to accept the quote within the 30 day period, he was told it couldn't be honoured as the price he'd been given was a mistake. The insurer said that there had been a problem with its IT systems during the medical screening. This meant the pre-existing medical conditions Mr K had disclosed hadn't been included in his original quote.

The insurer told Mr K he could still take out the policy. But the correct premium would be over £1,000 more for the reduced basic cover, or £2,000 for the comprehensive cover he'd originally wanted and had been quoted for.

Mr K and his wife had already spent a lot of money on the cruise tickets and simply couldn't afford that additional cost. So they now faced a choice between travelling without insurance or having to cancel the trip.

The insurer offered Mr K a 20% discount on the premium. But this still meant he'd be paying over a £1,000 for cover, which he couldn't afford. So, Mr K didn't want to travel without cover and cancelled the trip, losing his £650 deposit.

Mr K was very unhappy with how he'd been treated and asked us to look into his complaint.

how we helped

We spoke to the insurer about Mr K's situation. We were told that the IT problem had been an isolated incident and no other customers had been affected. But Mr K had relied on that information being accurate to book the holiday.

As the insurer had made a confirmed offer of cover, and Mr K had called to accept the quote in time, we felt it was unfair for it not to have honoured the original price, particularly as he'd accepted the price within the 30 day guaranteed period. It had put Mr K in a position where he felt the need to cancel his cruise. So we told the insurer it should reimburse Mr K's deposit for the cancelled holiday.

We also thought Mr K had been put in a very difficult position. And it would have been very upsetting for him and his wife to plan for a holiday, only to have their plans ruined because of the insurer's IT problems. So, we also told the insurer to pay Mr and Mrs K £200, in recognition of the inconvenience and upset they'd gone through.

144/2 – Miss R complains that her insurer increased her motor insurance premium unfairly, due to an incident she didn't claim for

Miss R contacted us after her insurer increased her renewal premium for her car by 60%. Miss R's policy had been set for automatic renewal and she didn't notice the increase in her premium until a few months after the renewal.

When Miss R asked her insurer why the price had gone up, she was told it was because of an incident she'd reported the previous year. Miss R questioned this, as she didn't make a claim for the incident, because the damage to her car was minimal.

The insurer explained that while the incident would have been a factor in the increase, there were many different reasons why a premium could change. So it would be very difficult to break down the increase, as a lot of the pricing information is commercially sensitive.

Miss R was unhappy the insurer wouldn't give her a clear explanation for the increase in her premium and asked for our help.

how we helped

We asked the insurer for a breakdown of the calculations for Miss R's premiums, from before and after the reported incident. We compared the calculations for both years and identified the areas, including the incident, which affected the price Miss R had paid.

While the incident was a significant reason for the increase in price, it wasn't the only contributing factor. The removal of introductory discounts – which only applied to the first year – also affected the renewal price, along with a general increase in the insurer's base premium for all of its policies.

We explained to Miss R that it was reasonable for an insurer to look at a reported incident as something that could affect their view of risk for a policy. Most insurers take differing views of risk. And this can lead to significantly different prices for covering the same thing.

In general, we don't tell insurers what factors to take into account when considering risk or what price they need to charge to cover those risks. That will be affected by many things, including an insurer's wider business economics.

We checked and it was clear the insurer had calculated Miss R's premium in the same way it would have for any other customer in similar circumstances. So we didn't think it had treated Miss R unfairly when increasing her price.

what about policies which rollover automatically – are vulnerable customers likely to be caught out by price increases?

their trust and a lack of knowledge make them potentially vulnerable

We regularly receive complaints about policies that automatically renew, with the premium increasing each year. In many of the cases we see, relatives of elderly customers bring these complaints to us after they've searched the market and discovered a similar policy – often from the same insurer — at a much lower price.

It's often the most vulnerable customers who are likely to be susceptible to detriment in these situations. But we've seen complaints about long-term price increases from people with a range of backgrounds – including those who you might not think of as vulnerable.

There may be some customers who place a great deal of trust in their insurer or broker over many years of loyalty. They may not be aware of the range of policies that are available on the market or indeed those sold by their current insurer. So their trust and a lack of knowledge make them potentially vulnerable to detriment.

This is an issue the Association of British Insurers (ABI) and the British Insurance Brokers' Association (BIBA) have highlighted in their joint Code of Good Practice.

So it's important insurers and brokers are alive to the needs and characteristics of their customers.

The FCA introduced requirements in April 2017 to improve the quality of information insurers provide at renewal. This includes requiring insurers, after the fourth annual renewal, to take extra steps to encourage their customers to shop around. However, the underlying principles of treating customers fairly are the same as they have been for many years.

New insurance products are usually offered at a discount, to attract new customers. Often this price is set at a level below the actual cost of the policy, with the insurer aiming to retain the customer and recover its initial discounts through subsequent renewal increases.

Typically, this is done over a number of years, but in some cases we see insurers continue to increase the premium even after the policy has become economic to provide.

After a number of years, it should normally be quite apparent to an insurer when a loyal customer isn't engaging with them at renewal.

If that customer hasn't been told about other products available from the insurer, they may also not have had enough information to make an informed decision about whether to accept their renewal price each year.

This can lead to situations where insurers know some of their customers are paying more than they could have done for their insurance each year. At the same time, customers with similar risk profiles, often on newer products – but sometimes even the same product – pay significantly less.

Where insurers don't address this inequality of knowledge, and help their more vulnerable customers, we may decide that they aren't treating their customer fairly. When this happens, we'll look at what a customer is paying for their insurance now and what they paid at the point when we think the insurer should have reasonably known their customer was susceptible to detriment. And we'll assess what we think they've lost from that point onwards.

144/3 – Mr A complains that his home insurance is too expensive

Mr A, in his eighties, had been living with dementia for a few years. He didn't use a computer, and his wife, who'd always taken care of the home expenses, had died about seven years before. So after this he'd asked the insurer to send things to him by post.

Mr A's nephew got in touch with us when helping his uncle out with his household finances. He'd noticed the home insurance for his uncle's two-bedroom terraced home was £1,400. He'd found similar policies online for as little as £150. Indeed his existing insurer was quoting £300 for more comprehensive cover.

He'd been with the same insurer for 15 years, originally taking out the policy for £200. The policy had automatically renewed every year and Mr A had never made a claim. Mr A's nephew complained on his uncle's behalf that the price of the policy wasn't fair. He told us his uncle was very upset to think his insurer had taken advantage of his loyalty.

In response to Mr A's complaint, the insurer said the price was correct and that the quotes on their website were lower because of "online discounts". Mr A's nephew asked for our help to sort things out.

how we helped

When considering whether Mr A was treated fairly, we looked at whether he'd been given clear information when his insurance was due to be renewed. He needed to have been able to make an informed decision about accepting the price and cover offered.

Mr A's renewal documents were sent to him by post. And for the first four years the price had increased very little. In the fifth year, it went up by 15% and by similar amounts after that.

The insurer's renewal letters told Mr A that as a valued customer he'd received a number of discounts for making no claims and staying with them. But we thought the difference in price between Mr A's policy and the online policies couldn't be explained by the online discounts alone. The renewal letters also referred to other policies being available, but said that unless his circumstances had changed, Mr A didn't need to do anything. Overall, we thought that the information he'd had at renewal could have been misleading.

From what Mr A's nephew told us about his personal circumstances and his lack of direct engagement, we thought it should have been clear to the insurer that Mr A might need additional help in making an informed choice about whether to renew his policy.

We didn't think the insurer had done enough to let him know there were other, potentially cheaper, options available. Increasing his price each year without taking into account Mr A's needs had left him potentially susceptible to detriment. We thought that his vulnerability should have been apparent from the fifth policy year onwards. That was also when the price of his policy had begun to increase significantly, the original new customer discount having been recouped by then too.

We told the insurer to refund the difference in premiums, with interest, for each year between the price paid after five years and the subsequent renewal offers. The insurer also accepted our recommendation to pay £150 for the upset they caused Mr A.

144/4 – Mr D complains that his insurer was offering the same policy at a much lower price

Mr D took out home insurance when he bought his first home and had stayed with the same company for 10 years. As he did with other household costs, every year he'd called his insurer to ask if they could offer a better price. After six years, he was paying around £250, which he thought was good value.

Four years ago, Mr D was promoted at work and longer hours meant he didn't get around to calling his insurer. His home insurance automatically renewed. After seeing an increase in TV adverts about shopping around for insurance, Mr D compared insurance prices online again and was unhappy to see his insurer was offering a similar policy for £150, while his renewal offer was £500.

He complained to his insurer who said he was paying the right price for his insurance. They said the policy on the website was priced lower because of a discount for new customers. So Mr D asked us to look into his complaint.

how we helped

We asked the insurer to explain the difference in price. It said that the discounts applied to new customer policies would no longer apply if that customer stayed with them.

It was clear Mr D knew that he could shop around or talk to his insurer about reducing the price of his insurance at renewal. He'd already done this several times before. The insurer had not misled him in its renewal documents and had pointed out it had other policies that might be cheaper if he got in touch with them.

Taking all the circumstances into account, we explained that we didn't think Mr D's insurer had treated him unfairly.

it was clear Mr D knew that he could shop around

144/5 – Mrs L complains that she was overcharged for her insurance

Mrs L, a teacher in her 40s, took out a branded home insurance policy through a retailer she'd been loyal to for many years and felt gave good value for money. She'd had the policy for nearly 15 years, having taken it out at the same time as she bought her first house. It had always been underwritten by the same insurer. And it went up in price each year, but so did the value of her house.

A colleague mentioned to Mrs L about saving money on their insurance using a price comparison website. Mrs L hadn't thought she'd need to shop around for her insurance because she trusted the retailer. But when she checked online, she found a policy with the retailer's branding, and from the same insurer, at about £1,000 less than she was paying.

Mrs L called the number on her policy documents and spoke to the insurer to ask about the price difference. The sales agent said they could match the online price if she'd answer a few questions. After taking out the cheaper policy, Mrs L complained that she'd been overcharged for so many years. The insurer told Mrs L that the cheaper policy was a different product and both were priced correctly. So she asked us to look into this for her.

putting things right

Looking at Mrs L's renewal documents, there was no mention of other policies being available. And the insurer had told her that unless her circumstances had changed, she didn't need to do anything. Her policy would automatically renew and her direct debit would be increased.

Around five years before, the insurer had introduced an alternative home insurance product for new customers of the retailer. The policy had a revised set of personal questions, which measured risk differently. But the insurer had never told Mrs L about the new kind of policy. Instead Mrs L had continued paying an ever increasing price for the renewal of her old insurance policy each year.

Given her long-term relationship with the insurer, we felt it should've been aware Mrs L was unlikely to question her renewal premium each year. We thought the insurer should have done more to keep Mrs L informed about her options. And that she'd lost out because it hadn't taken into account her needs or given her appropriate information at renewal to allow her to make an informed decision about accepting the policy at the price offered. If she'd known about the other policy, we thought she'd have moved on to it.

We told the insurer to refund the difference between the premiums Mrs L had been paying and what she would have paid if she'd taken the new type of policy shortly after it was introduced. To that we added 8% interest.

how do customers know if they are paying a fair price for their insurance?

For many people, the price of an insurance policy is the major deciding factor when buying insurance. Understandably, no one wants to pay more than they have to for insurance. But customers still need to make sure the policy is right for them.

Insurers are required to give their customers clear information about the products they have and the price they are offering for the cover. But, if customers don't properly understand what they're buying, then problems can still arise.

It's not our role to determine the fair price of insurance policies. But when someone tells us they have been misled about the price of their policy, or what it covers, we'll ask the insurer about what it did to ensure the customer was sufficiently informed when they took out or renewed the policy. And where we decide that the customer wasn't given the right information about their options, we'll ask whether the insurer could have done more.

144/6– Miss N complains that her home insurance is more expensive than for other houses on her road

Miss N, who was a retired nurse in her 70s, had been with her insurer for 12 years. After a chat with her niece who just lived at the top of her road, she found out she was paying a lot more for her home insurance with the same company. Miss N complained to her insurer that she was being overcharged.

The insurer told Miss N the cost of her insurance took into account claims she had made and the risk of flooding where she lived. It said the price was correct. Miss N couldn't understand why her niece, who lived on the same road, and who had also made a few claims over the years, would pay so much less. So she asked us to help sort things out.

how we helped

When we reviewed Miss N's records, we saw the price of her insurance had gone up by about £100 each year. She told us she'd never contacted the insurer after receiving the renewal offers – because she trusted they were giving her the cover she needed at a competitive price.

We saw she'd made three small claims. The last claim was for damage to her drive and front garden following a flood from a local stream. The insurer explained it had changed its risk rating system since Miss N had first taken out her policy. On the new system, postcode information showed Miss N's house was at a much higher risk of flooding than her niece's, which was just outside the risk area.

The insurer told us Miss N's risk had increased significantly some years ago, before her claim for flood damage. This meant her price should have been much higher. But her policy had a cap on the amount the premium could increase by every year. She'd actually got a much better deal than the insurer would have offered a new customer.

We accepted that the information the insurer gave Miss N at renewal could have been presented in a clearer way. But we didn't think she'd lost out as a result of this, given the policy pricing had fairly reflected the risk of her needing to make a claim. So we explained to Miss N that we didn't think her insurer had treated her unfairly.

144/7 – Mr G complains that a claim has caused his car insurance premium to increase, despite him having a protected no-claims discount for his policy

Mr G complained to his insurer about the increased renewal price for his car insurance. When the policy renewed, there was an unresolved claim on the policy. But Mr G thought this shouldn't affect his price, as he had protected his no-claims discount (NCD) for the policy. He thought this also protected the price.

The insurer told Mr G that his no-claims discount hadn't been affected by the claim. And this wasn't the reason for the increase. The insurer pointed out that neither Mr G nor the other driver involved in the claim had accepted responsibility for the incident. Because it couldn't yet be proved who was to blame, both parties were being treated as equally at fault.

The insurer told Mr G it was this open "fault claim" that had affected his price, though if the claim was resolved later, the insurer would correct his premium.

Mr G didn't accept his insurer's explanation and brought his complaint to us to look into. Mr G felt the insurer had treated him unfairly, by charging extra to protect his no-claims discount and then increasing the price of his insurance after the claim.

how we helped

We asked the insurer for a breakdown of the price increase. We also asked for an explanation of how the no-claims discount affected the price Mr G was paying for insurance.

The insurer was able to show that Mr G had been given the maximum discount available, from the first year he had taken out the policy. Because Mr G had chosen to pay more to protect this discount, it didn't reduce when he reported the claim.

We explained to Mr G that the unresolved claim was the reason for the increase in his premium. As neither driver was prepared to accept responsibility, and no other witnesses were present, the insurers had acted fairly by holding both drivers responsible.

A "fault claim" doesn't necessarily mean that the customer was to blame for the accident. It can also mean that the insurer hasn't been able to recover what it's had to pay out in repairs.

Because of the fault claim against his policy, Mr G's premiums had increased significantly.

But the insurer showed us the increase was the same as they would have applied to any other customer, in the same circumstances.

We understood Mr G's frustration at the increase. But we told him that protecting a no-claims discount wasn't the same thing as protecting the price of his insurance. We explained that it was fair for an insurer to increase the price of the policy, if its view of the risks involved changed.

Because he had protected his discount, we thought it was likely Mr G had paid less than he would have if he had a reduced discount or no discount at all. As the insurer was also prepared to review the premiums again, once the claim was resolved, we didn't think their pricing was unreasonable.

144/8 – Mrs C asked us to look at her insurance broker's decision to increase the price of her pet insurance, despite there being no significant change in risk

Mrs C had arranged her pet insurance with her broker for a number of years. When she moved to a new home, across the road from her previous address, Mrs C called her broker to update her details. She was surprised when the broker charged a £10 administration fee, and increased her premium by nearly £50. The broker told Mrs C that if she didn't accept the additional premium, she could cancel the policy, but would need to pay a £30 fee to do so.

Mrs C wasn't happy with the broker's decision and asked for our help. She told us that after complaining to her broker, it had said the fees charged were correct and it was entitled to apply the additional premium.

how we helped

We spoke to the broker and asked it to show us why the premium had increased. The broker told us it had made a mistake with the price increase. It confirmed there had been no additional premium charged by the insurer for the change of address. But the commission rate the broker received for the policy had changed mid-term. So when Mrs C notified them about her house move, the higher rate was applied.

We accepted the broker was entitled to charge a reasonable fee reflective of the work required for changing or, if necessary, cancelling a policy – as long as these were made clear to the customer upfront. But we didn't agree it was fair for the change of address to be used as an opportunity for it to earn further commission, particularly when there was no actual change in the risk posed to the insurer.

We told the broker to refund the overpayment, with interest. It had also taken the broker far too long to tell Mrs C it had made an error after she had queried it. And Mrs C had gone to some trouble to get things sorted. So we also told the broker to pay Mrs C £100 compensation to recognise that.

we didn't agree it was fair for the change of address to be used as an opportunity for it to earn further commission

how do insurers calculate the price of a policy?

Pricing an insurance policy can be very complicated. Advances in technology now mean underwriters can access more information than ever before. They can identify risks far more accurately to help them price individual policies.

Like any business, an insurer has to think about its costs and profit margins to remain sustainable. A customer may expect a simple explanation for a price increase.

But for an insurer, there may be hundreds, or even thousands of variables it has to consider when setting a premium – including its own commercial requirements.

Major events can have a significant impact on how an insurer assesses risk. For example, the rise in expensive flood claims in recent years caused many insurers to review their approach to offering flood cover, and many customers found it difficult to find affordable cover.

This led to the introduction of Flood Re, a government backed reinsurance scheme that helps mitigate insurers' exposure to flood claims, in return for a fixed premium which is passed onto customers.

144/9 – Mrs Q was unhappy when the price of her home insurance almost doubled because of a withdrawn flood claim

When Mrs Q asked why the price of her buildings insurance had increased so much, the insurer advised she had made two claims in the last five years. This had led to the underwriter viewing her policy as a higher risk.

Mrs Q disputed this, saying she'd withdrawn one of the claims – which was for storm damage – and so this shouldn't be considered against the policy. The underwriter didn't agree, as although a claim hadn't been paid out, the damage had occurred and this had to be taken into account in its calculation of risk.

The underwriter maintained the renewal premium was correct. Mrs Q asked us to look into the reasons behind the increase, as she didn't think her insurer was treating her fairly.

how we helped

We asked the insurer for the evidence of its calculations for Mrs Q's renewal premium. From looking at this, we were able to establish the withdrawn claim for storm damage had played a part in the increase. But it wasn't the main reason for the increased cost.

The year after the withdrawn claim, Mrs Q had made another claim with her insurer. This time the claim was for flood damage to her home. As a result of this, the underwriter had that year passed on some of its liability for using the Government's "Flood Re" scheme.

The insurer was able to show that it hadn't applied any rating for the flood claim, but instead it had applied the fixed premium, which had been set by Flood Re, as part of Mrs Q's renewal price.

We explained to Mrs Q that the insurer had followed its normal process, in order to continue cover after the flood claim. The insurer wasn't responsible for the additional premium Flood Re had charged. So we didn't think the insurer had acted unfairly. But we pointed out that it would have been helpful if the insurer had explained this to Mrs Q when she'd first queried her premium increase.

staying aware: holiday clubs and solar panels

Each year we hear from people who've had problems involving holiday club memberships – and others who've got concerns after having solar panels installed on their homes.

we're seeing evidence that people have received misleading information

how can the Financial Ombudsman Service help with solar panels and holiday clubs?

People buy a whole range of things on credit – whether it's using a credit card, or taking out a loan or finance deal. And on the face of it, the goods and services involved aren't "financial" – whether it's a car or a new kitchen, or in this case, solar panels and holiday clubs. So people might not always think of us in the first instance.

But if something goes wrong, the law says that – in certain circumstances – the provider of the credit is equally responsible for putting things right with the provider of the goods or services in question. The parts of the law that are most relevant here are Sections 56 and 75 of the Consumer Credit Act 1974.

And if someone feels they've been treated unfairly by the business that provided the credit, or that brokered the loan or finance, we'll generally be able to look into what's happened.

so what's the problem with holiday clubs and solar panels?

When we get a complaint about goods or services bought on credit, we have to weigh up all the evidence around whether the quality is acceptable – or whether someone's got what they were led to expect.

Overall, we reach a range of conclusions – deciding in some cases that the credit provider needs to take action, and in others that they've already given a fair answer. However, with complaints about both holiday clubs and solar panels, we're seeing evidence that people have received misleading information.

what exactly is a holiday club – and what's going wrong?

Over the years we've heard from steady numbers of people who've joined holiday clubs. Some holiday clubs are effectively like a timeshare – where someone buys a membership of a club, which allows them to take holidays at the club's resorts and hotels.

Other holiday clubs are like a "discount club". These will typically be claiming to offer discounted rates on accommodation, and sometimes on flights and other things like excursions.

People often join holiday clubs when they're already away on holiday – usually, a rep will host a meeting at a resort, and sign people up there and then.

Unfortunately, people sometimes find these arrangements aren't such a good deal. We've seen evidence that – whatever the reps may have said at the time – people haven't ended up getting what they were told they would.

In some cases, people are left struggling to afford the ongoing costs of holiday club membership. And the businesses involved often can't show us any evidence that they checked whether people could actually afford the club membership before signing them up to it.

and what's happening with solar panels?

We often hear from people who'd thought they were doing the right thing by having solar panels fitted on their homes – but now have concerns they've lost out.

Many of these people are looking to reduce their bills, and are often retired or approaching retirement. Typically, having been cold-called, they've agreed to have the panels installed – taking out a loan to pay for them. People often tell us they were told the panels would "pay for themselves", and even make some money.

Unfortunately, for some people – taking their loan repayments into account – the solar panels are actually costing them money. And in some cases, people are being left in financial difficulty.

In the same way as holiday clubs, people who've bought solar panels on credit are able to ask the credit provider to refund the costs of the solar panels under Section 75. And if they're not happy with the answer they get, they can ask us to look into their complaint.

When we look into these complaints, we often find evidence of pressure sales techniques, and misleading sales literature or representations by the salesperson. In many cases, we're deciding that people wouldn't have agreed to have solar panels installed if they'd received clearer information. So we're telling the credit providers involved to put things right.

144/10 – Ms N complains she hasn't got the promised benefits of holiday club membership

Ms N told us she'd been misled about the benefits of a holiday club membership.

She explained she'd gone to a presentation about the club when she was on holiday in Tenerife. And she'd signed up on the basis she'd get discounts on flights and holidays, with a significant "cash rebate" after three years.

Ms N said she'd been given a "certificate" – and remembered being told she'd get back 70% to 100% of the "face value" of £6,000. She told us she'd paid about £8,000 for the membership, partly on her credit card and partly by bank transfer.

Ms N said she hadn't made the savings she'd been promised through the discounts. And despite registering a claim for the cash rebate, she hadn't got that either.

Ms N told us she'd complained to her credit card company. They'd said there'd never been any guarantees about either the discounts or cash rebate. But Ms N didn't agree – and asked us to look into what had happened.

putting things right

Ms N showed us the cash rebate certificate she'd received in the post following the initial meeting – which referred to a face value of £6,000. When we looked at the terms and conditions of the holiday club membership, we found these didn't mention the potential to get back between 70% and 100% of this face value.

However, Ms N sent us some handwritten notes made by the rep during the meeting, which she'd kept. These clearly suggested Ms N would get the rebate she'd mentioned. In our view, her account of what had happened was consistent and credible. And we didn't think she'd have paid £8,000 for a single year's membership to the club unless she'd been led to believe she'd get a sizeable amount of cashback and access to discounts.

Given everything we'd seen, we decided the benefits of the holiday club had been misrepresented to Ms N. So we told the credit card provider to refund the membership costs, adding interest.

she'd signed up on the basis she'd get discounts on flights and holidays

144/11 – Mr and Mrs P complain they've been signed up to unaffordable loans for holiday club membership

Mr and Mrs P told us they'd taken out a membership on holiday in Costa del Sol. After attending a presentation, they'd agreed to pay £20,000 to join the holiday club. They said they'd ended up with a loan in Mrs P's name for £15,000, and another in both their names for £5,000.

Mr and Mrs P said that, more than a year on, they were struggling to meet the repayments for these loans. They'd also recently received a £700 bill for "management fees". They said they hadn't been told about this – and couldn't afford to pay it.

Mr and Mrs P complained to the holiday club – who responded in their role as the broker of the loan. They said that, although they believed the loans were affordable, they were willing to arrange for the smaller loan to be cancelled at no cost to Mr and Mrs P. However, Mr and Mrs P didn't think this was enough – and asked us to step in.

putting things right

We looked closely at the holiday club's records from when they'd brokered the loans. We saw that they'd initially made four different loan applications to different lenders. Each time, they'd applied for the total of £20,000 – in the name of both Mr P and Mrs P. However, all the applications had been declined. It seemed that, to get around this, the holiday club had then split the amount into two.

The loan for the bigger amount was in Mrs P's sole name. Although Mrs P was in regular employment, her income was quite low. Mr P was self-employed, but he also had very little income.

When we asked the holiday club how they'd decided the loans would be affordable, they couldn't provide any evidence. Neither could they explain how the future costs arising from the club membership – such as the annual management fees – had been taken into account when they were considering affordability.

In discussing the loans with Mr and Mrs P and the holiday club, we found there was some confusion about how much they were for. There was also evidence that the information Mr and Mrs P had been given about the loans wasn't clear. In our view, this meant it was likely they hadn't understood the full financial implications of what they were signing up to.

In light of what we'd seen, we decided Mr and Mrs P hadn't been given enough clear information to make an informed decision about the loans – and that, in any case, the loans weren't affordable.

We told the holiday club to reimburse all the loan payments and other fees paid by Mr and Mrs P – and to arrange for both the loans to be cancelled. We said it was fair to deduct from the compensation the cost of the holiday the couple had taken during their club membership.

144/12 – Mr L complains that the benefits of solar panels have been misrepresented

Mr L told us he'd been ripped off by a company selling solar panels. He explained he was told the panels would be "self-funding". He'd used his savings to cover some of the costs of having the panels installed, and had signed up to a credit agreement to pay for the rest.

Mr L said he'd soon realised the panels weren't saving him any money. He'd already complained to the credit provider, who didn't agree that the benefits had been misrepresented. Mr L didn't agree, and asked us to look into what had happened.

putting things right

Mr L told us that the salesperson promised his loan repayments would be totally covered by the benefits of his solar panel system – through "feed-in tariff" payments and the savings made on his electricity bills.

He explained the salesperson said the solar panels were "better than free". But in reality, there was a shortfall between what he was paying out and what he was getting back.

We looked at the paperwork Mr L had been given explaining the benefits he'd receive. The documentation wasn't complete – and in our view, the information wasn't clear. This meant Mr L would have been relying on what the installer told him, rather than on the paperwork, to understand what he was signing up to.

We then looked at what Mr L was actually getting back. We found that – instead of the situation being self-funding – he was nearly £1,000 a year out of pocket.

All in all, we decided there was clear evidence of misrepresentation on the installer's part. And we didn't think Mr L would have agreed to have the panels installed if he'd realised that, rather than being "self-funding", the panels would actually leave him worse off.

We carefully considered how to put things right in Mr L's individual circumstances. In this case, it seemed Mr L was happy to have the solar panels, but was unhappy that they weren't self-funding. Following our involvement, the credit provider offered to reduce the loan slightly – and to allow Mr L to keep the panels.

However, we didn't think this was enough. We told the credit provider to rework the loan – so Mr L wouldn't pay any more for the panels than the potential savings they'd make over the long term.

if I think this has happened to me – or someone I know – what should I do?

If you've got concerns about issues like these, it's easy and free to complain yourself.

It's not necessary to use a claims management company. If you do, and we decide a business should pay you compensation, you won't be able to keep all the money you're entitled to. In some cases, we've seen that people who are already struggling financially are then left with fees to pay to claims managers.

If you want to make a complaint, you'll need to contact the credit provider – whether it's by phone or in writing. Tell them, in your own words, why you're unhappy. They're required to take your concerns seriously and look into them properly.

Then, if you're not happy with what the credit provider says, you can give us a call or get in touch online. If you'd prefer, we can talk to someone else on your behalf, like friends or family, or someone in Citizens Advice.

people who are already struggling financially are then left with fees to pay to claims managers

Q? &A

I'm dealing with a customer's buildings insurance claim. They've reported some water damage to their ceiling, but I think it's likely the problem's been there for some time – and that would mean the claim isn't covered. How can I ensure I make the right call?

We regularly hear from people who've made claims like these – and have found their insurer won't pay out, saying the damage happened gradually.

Often, people tell us that they didn't know there was a problem until they discovered the damage – and that they contacted their insurer straightaway. Equally, like you, insurers often tell us that the issue is long-standing, whereas their policies are only intended to cover sudden, "one-off" problems.

To sort things out, you'll need to consider what the policy says, what caused the damage, and what your customer knew about the problem. This month we've added new resources to our website to help people resolve complaints about damage to buildings that's happened over time – explaining, with examples, how we approach investigating and resolving these cases.

so what can I do if I need a bit of guidance?

Some cases can be finely balanced – and the fair answer isn't always clear. So if you'd like to talk things through, our technical advice desk is there to give a helpful steer to businesses about how to sort out problems with their customers, before they reach us.

You can speak with the team on 020 7964 1400, or check out our website for more details about how the technical advice desk can support you to get things back on track with your customer.

Financial Ombudsman Service