

The complaint

Mr R's complaint is about the cost of a 'lifetime' pet insurance policy with Bastion Insurance Co. Ltd.

What happened

Mr R took out a 'lifetime' pet insurance policy with Bastion over the phone, starting in July 2018 at a cost of £21.18 per month. Mr R says the premium has gone up significantly since then. The premium for the renewal in July 2020 was £57.18 per month and in July 2021 it increased to £97.60 per month, along with a 20% co-payment. He thinks this is unfair and the increases are unreasonable.

Mr R says his dog is now eight years old and he is now in a position where he can no longer afford to renew the policy with Bastion but also can't afford to take out alternative insurance cover. His dog has been uninsured since July 2021. Mr R says he wants Bastion to take a *"more responsible and ethical approach to their pricing policy and offer realistic terms at renewal"*. He says Bastion is deliberately pricing owners of older pets out of the market, which is unfair.

Bastion says the premium was correctly calculated, taking account of its underwriting criteria, which includes the age of Mr R's dog. Bastion also said Mr R had made two expensive claims in the previous two years.

One of our investigator's looked into the matter. The investigator recommended that this complaint be upheld in part. The Investigator was satisfied that Bastion had calculated the premium in line with its underwriting criteria but was not satisfied Mr R had been given sufficient notice of the potential increases in premium when he took out the policy. The Investigator therefore recommended that Bastion pay the sum of £250 compensation for this.

Bastion does not accept the Investigator's assessment, as it does not think it has done anything wrong.

Mr R does not accept the investigator's assessment either. Mr R says that it is only right that Bastion's underwriting and pricing policy be assessed for fairness. It is not ethical for an insurer to be able to set a premium at a level that means it is unaffordable, when a policyholder is tied to remain with it if they have already made claims. Mr R also says that the compensation recommended by the Investigator will not serve as any disincentive for Bastion and will not stop it from acting this way in future and is also insufficient to redress or the situation he is in: his dog is now effectively uninsurable and she is only eight years old and he will now have to bear the cost of any treatment for her for the rest of her life.

As the Investigator was unable to resolve the complaint, it has been passed to me.

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.

It is up to insurers to decide what cover they wish to provide and the premium that they want to charge for that cover, based on the risk they are being asked to cover. We have no power to make an insurer cap its charges or charge certain amounts. And we cannot assess the commercial decisions it has made about how it will set premiums, in the way Mr R has asked. Likewise, consumers have a choice about which policy and which insurer they wish to take insurance with, or not take insurance at all (unless it's a requirement, legal or otherwise) and meet any treatment costs themselves.

The cost of insuring a pet will generally increase each year, as the pet gets older because the likelihood of claims increases and the cost of medical treatment rises. This is especially true of 'lifetime' policies such as the one Mr R holds. Most pet insurance policies won't cover any medical conditions the pet had, or received treatment for, when the policy was taken out or renewed, so ongoing medical conditions won't usually be covered. But 'life-time policies' will cover any conditions on an ongoing basis for the rest of the pet's life, as long as the policy remains in force. This means there is a higher risk of claims being made and so the cost of providing this cover tends to be more expensive than other types of pet insurance on the market. Premiums can also increase significantly at renewal. There is no limit to how much the premium could be and, as stated above, we can't impose one.

Normally insurers calculate a base premium rate for a policy that applies to all consumers and then other factors they consider relevant to the risk being covered, are applied, which might bring that base premium up or down. Different insurers apply different factors but they might include an individual's claims history, the cost of vets in the relevant locality, and the age and breed of the pet, among other things.

Mr R's premium has increased significantly in recent years but I haven't seen any evidence to suggest Bastion has treated him differently to how it would have treated any other policyholder in the same position. So I can't say it has acted unfairly when pricing the policy. And, as stated, I have no power to direct that Bastion charge Mr R, or anyone else, less for his policy. This is how much Bastion has determined it needs to charge to provide the cover for Mr R's dog and he was free to either accept or reject the renewal terms. I also note that Bastion had other policies with lower claims limit that may have been cheaper.

However, given the potential for premiums to increase significantly we would expect this to have been made clear to Mr R at the outset. This is because those selling insurance have a responsibility to provide clear information about the cover being provided, the cost and any significant terms or conditions. Essentially, the information provided to the buyer must put them in a position to make an informed decision about whether or not to take the policy. To fulfil this responsibility, we would expect a seller to explain clearly any significant terms. This may be verbally or by providing clear documentation. In relation to a lifetime pet policy, we would expect the information about the cost of the policy to include the potential for significant increases in the price, given the specific type of cover being provided.

There is no convincing evidence that Mr R was informed of the potential significant increases in premium that might occur with this type of policy. Bastion does not have a recording of the sales call but has provided a copy of the script that its agents would use. Having read this, it does not support that Mr R was told of the potentially significant increases in premium that might occur. There is also nothing in the policy documents, that would make this sufficiently clear, only a mention that premiums might change.

Mr R didn't have to buy a lifetime policy. He could have bought a cheaper yearly policy. But those policies don't usually cover any pre-existing conditions. So, once a pet's suffered with a medical issue, the yearly policies won't cover that problem in later years. As a result, if a

pet needs ongoing treatment over a number of years, the policyholder will have to bear the full cost of that treatment even if they have a policy in place. In this instance it seems Mr R was looking for a lifetime policy. And as premium rises of this type are common across the market I think it's likely that Mr R would have still bought this policy, as that's the type of policy he was looking for. And, as mentioned, he has made two claims under the policy, so has benefited for ongoing conditions, which he'd likely have had to pay for himself if he had chosen not to take the policy.

Overall, I don't think he'd have done much different even if Bastion had given him more information at the point of sale. He'd either have not taken the policy, but would have had to bear the cost of treatment of any ongoing conditions himself, or he would have still taken this or another lifetime policy.

Mr R says he is being priced out of the market and this is unfair. However, as stated insurers are entitled to set their own prices and it is not unfair or unreasonable that they increase those to reflect the risk they are taking on. I understand that Mr R is now in a difficult position but that is not as a result of anything Bastion has done wrong. However, I do understand that the significant increases in premium, particularly in 2021, came as something of a shock to Mr R, and if Bastion had given him more information at the outset about the likely effect of claims on premiums, then he wouldn't have been so surprised by the increase. So I agree with the Investigator that some compensation is appropriate to reflect the distress and inconvenience this caused. I also agree that the sum of £250 is appropriate.

Mr R says this amount is not sufficient to act as a deterrent to Bastion but it is not a penalty – we do not regulate insurers and therefore cannot make punitive awards. It is an award of compensation to reflect the fact that Mr R was not expecting such a significant increase in his premiums. It is not intended to compensate for the future cost of insurance his dog or for opting to no longer insure her and cover the cost of any treatment himself. I am of the opinion that £250 is reasonable to reflect the fact Mr R was not aware the premiums would go up as much as they did.

My final decision

I uphold this complaint against Bastion Insurance Co. Ltd and require it to pay Mr R the sum of £250 compensation for the distress and inconvenience caused by the mis-sale of the policy to him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 8 June 2022.

Harriet McCarthy
Ombudsman