

The complaint

Miss S complains about the price charged by Royal & Sun Alliance Insurance Limited (“RSA”) to renew her home insurance policy. In particular, she’s concerned the price she was charged was higher than an equivalent new business customer would be charged.

What happened

Miss S received a renewal quote which she says was significantly higher than what she’d paid the previous year. Miss S says she queried this with RSA, but they weren’t able to provide specific reasons for the increase. Miss S complained and said her circumstances hadn’t changed and she hadn’t made any claims the previous year, so she felt the price increase was unfair. Miss S also complained that the price she was charged went against fair pricing rules introduced by the Financial Conduct Authority (“FCA”).

RSA responded and explained that, based on Miss S’ cover level and their pricing structure, the premium they offered was correct. RSA said, at renewal they review the risk they’re providing insurance for against the latest information available to them. They said they take into account many factors such as the latest view of inflation, and changes in external risk information such as repair and material costs in general. RSA acknowledged Miss S’ request for the reasons for the price increase and explained they can’t share the specific details on how their premiums are calculated as it’s commercially sensitive. RSA also confirmed the price they charged was compliant with the FCA rules.

Our investigator looked into things for Miss S. He thought RSA hadn’t treated Miss S unfairly in relation to the pricing. Miss 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 Miss 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 Miss S paid £1,101.94 in 2023 but was then charged £1,965.99 to renew her policy for 2024. This is a 78% increase from what Miss S paid the year before, so I do understand why she’s concerned.

RSA have provided me with confidential business sensitive information to explain how Miss S’ renewal price was calculated. I’m afraid I can’t share this with her because it’s

commercially sensitive, but I've checked it carefully. And I'm satisfied the price she was charged has been calculated correctly and fairly and I've seen no evidence that other RSA customers in Miss S' position will have been charged a lower premium.

I acknowledge Miss S believes RSA haven't acted in line with the FCA fair pricing rules. The rules for general insurance pricing which Miss S refers to were introduced by the FCA in January 2022. They apply to motor and home 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 Miss S was offered her renewal by RSA, so they did need to follow these at the time.

RSA have provided information which demonstrates Miss S was charged an ENBP. As mentioned above, I can't provide the specific detail to Miss S as it's commercially sensitive, but I've checked it carefully and this demonstrates Miss S wasn't charged more than an equivalent new business customer and the pricing model used to rate Miss S' policy and calculate a price was no different to what was used for any other customer in the same circumstances. So, I can't say RSA have acted against the FCA fair pricing rules or otherwise treated Miss S unfairly.

In addition to this, I can see RSA did, in their renewal quote, remind Miss S that she could shop around to see if she could get a better price. As 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 Miss S fairly, I think RSA have also acted in line with requirements set out under ICOBS.

I do appreciate Miss S will want to know more detail around what specific factors have led to the premium increase and she was left frustrated at not receiving a response to her questions about the specific factors which have contributed to the increase. Pricing is an area where the information which sits behind an insurer's explanation will often be commercially sensitive. So, I don't think RSA have acted unreasonably in not providing Miss S with details of the specific ratings and loadings used to calculate the price.

I understand Miss S believes that she, as a loyal customer at renewal, hasn't been treated the same as a new business customer. I fully understand why, on this basis, Miss S has complained, and I hope she feels reassured that I've checked the pricing information from RSA. But I can't say they've made a mistake or failed to offer Miss S an ENBP. I wish to reassure Miss S I've read and considered everything she 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 Miss S to accept or reject my decision before 13 June 2024.

Paviter Dhaddy
Ombudsman