

The complaint

Mr C complains about the price charged by U K Insurance Limited (“UKI”) for his motor insurance policy.

What happened

UKI issued Mr C with a renewal quote but then noted there was an error as the policy incorrectly showed an open claim. The system wouldn’t allow UKI to correct this by amending it to a non-fault claim, so the policy had to be cancelled and a new policy was set up which price matched the previous policy.

Mr C complained as he believed the price for the new policy should’ve been cheaper as it now took into account a non-fault claim. Mr C also complained that UKI didn’t return his calls and that he’d been informed he would receive a partial refund of his premium after the claim details were amended, but UKI were now claiming no refund was due.

UKI responded and explained the claim didn’t have an impact on the overall price, so Mr C hadn’t paid anything additional for this. UKI apologised that, despite promising call backs, a number of calls weren’t returned. For this part of the complaint, UKI sent Mr C £100 compensation. UKI acknowledged Mr C’s concern that he’d been informed he would receive a partial refund of the premium but as their investigation found the claim didn’t have an impact, no refund was due. They accepted though that the call handler could’ve been clearer in their explanation and should’ve informed Mr C that no refund would be due if the claim made no difference to the policy. So, UKI paid a further £50 compensation for this.

Our investigator looked into things for Mr C. She thought UKI hadn’t treated Mr C unfairly in relation to the pricing and that the £150 compensation paid for the customer service issues was reasonable.

Mr C 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 C will be disappointed by this but I’ll explain why I have made this decision.

Pricing

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 C paid a premium of £320.74 for his policy in 2022 but then received a quote for £542.58 in 2023. This is around 69% more than what he'd paid the previous year, so I do understand why Mr C is concerned. UKI have provided me with confidential business sensitive information to explain how Mr C's policy 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 UKI customers in Mr C's position will have been charged a lower premium.

As mentioned above, I can't provide specific detail about UKI's risk model, but I have seen the rating factors and loadings which were used to calculate a price for Mr C's policy – and I can't say UKI have treated Mr C unfairly here. I say this because these rating factors all relate to the presentation of risk, and they are the rating factors I would expect to see when an insurer is assessing risk for a motor policy. I can't say there are any rating factors here which are unusual, uncommon or unfair, so I can't say UKI have acted unreasonably here. This forms part of UKI's pricing model so it applies to all policies. I think that's important here as it demonstrates the pricing model used to rate Mr C's policy and calculate a price was no different to what was used for any other customer in the same circumstances.

I think it's also important to mention that it has been widely publicised over the last year that the price of insurance has increased due to claims inflation and insurers facing rising costs in settling claims – and this includes the cost of used cars going up as well as parts and materials.

I acknowledge Mr C's point about how the price of the policy, when showing a fault claim, can be the same price when showing a non-fault claim. But, I've seen how UKI categorised this incident and why it then led to it not being rated. And the information shows there wasn't an impact on the price of the policy.

I acknowledge Mr C feels the price increase is unfair and that it's unreasonable for his insurance to continue to be affected by a claim that wasn't his fault. But it's for a business to decide what risks they're prepared to cover and how much weight to attach to those risks - different insurers will apply different factors. That's not to say an insurer offering a higher premium has made an error compared to an insurer offering a cheaper premium – but rather, it reflects the different approach they've decided to take to risk. The same also applies to rating factors. If an insurer decides to rate non-fault claims, it doesn't mean they've made an error, but rather, it reflects their risk strategy.

Customer service issues

There's no dispute about this part of the complaint. UKI accept they got things wrong when they didn't return a number of Mr C's calls and also didn't clearly explain that no refund would be due if the claim details made no difference to the policy price. I think it's right that UKI should pay compensation for the frustration and inconvenience caused to Mr C. To help decide what a reasonable level of compensation should be, I've thought about the errors made by UKI and the impact on Mr C.

I can see Mr C made several calls to UKI and it was frustrating for him when calls weren't returned despite being promised a return call. This then led to inconvenience for Mr C in having to phone again. Given the number of calls made by Mr C when chasing UKI, and the period over which this occurred, I think the £100 compensation paid is fair and reasonable in the circumstances.

UKI accept their call handler should've better managed Mr C's expectations by explaining the circumstances under which no refund would be due. I agree this led Mr C to believe a refund would likely be due. As mentioned above, the pricing information I've seen shows Mr C's policy was rated fairly and priced correctly, so no refund was due. But, until this was confirmed by UKI following their own investigation, Mr C continued to believe he would receive a partial refund. Beyond the frustration to Mr C once UKI confirmed the position, I can't see there has been any wider impact. So, I think the £50 compensation paid to Mr C for this is fair and reasonable in the circumstances.

I acknowledge Mr C believes he hasn't been treated fairly. I fully understand why, on this basis, Mr C has complained, and I hope he feels reassured that I've checked the pricing information from UKI. But I can't say they've made a mistake in how they've rated Mr C's policy or otherwise treated him unfairly. I wish to reassure Mr C 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 C to accept or reject my decision before 17 June 2024.

Paviter Dhaddy
Ombudsman