

## **The complaint**

Mr W complains about the price quoted by Liverpool Victoria Insurance Company Limited (“LV”) for a motor insurance policy.

## **What happened**

Mr W received a quote for a policy which he says was almost double what he’d paid the previous year. Mr W says he queried this but was informed the price was correct. Mr W then searched the market and took out a policy with a different insurer for the same price he’d paid LV the previous year. Mr W then complained to LV about the price they’d offered and said he’d made no claims and there were no other changes to his circumstances, but LV couldn’t give him an explanation to justify the price increase.

LV responded and explained they’d provided Mr W with their best possible price, and just because the price had increased, it didn’t mean that LV had made an error. They said an insurers risk appetite can change and this will affect the price of the policy. They said they consider a number of factors including claims history, postcode and vehicle ratings.

Our investigator looked into things for Mr W. She upheld the complaint as she felt LV hadn’t provided our service with sufficient information to show no error had been made when calculating Mr W’s premium – so she recommended they pay Mr W £100. LV 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 to uphold the complaint. And, I think the investigator’s recommendation is a fair way to resolve matters.

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’ll start by addressing Mr W’s concern about not receiving a response to his query about the factors which impacted the price. I understand when Mr W called LV to discuss the price, he wanted a precise explanation for the price increase. I appreciate Mr W will want to know more detail around what specific factors have led to the price increase and he was left frustrated at not receiving a response to his questions about this. 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 Mr W with details of the specific factors used to calculate the price.

I can see Mr W paid a premium of £487.36 in 2022, but he was then quoted a price of £855.64 in 2023. This is around a 75% increase, so I understand why Mr W is concerned about the price increase – particularly as he says his circumstances didn't change.

When our service looks at complaints about pricing, we'll ask for information from a business to demonstrate why and how a price has increased. What information is considered reasonable will depend on a case by case basis, but insurers generally will provide confidential business sensitive information to explain how a customer's price has been calculated. This might involve evidence of rating factors and loading tables to show, more specifically, which loadings have increased to justify the price increase. Generally, and particularly in cases where the price has increased significantly, it's this level of detail that allows our service to check the information and provide a customer with reassurance that there hasn't been a mistake in the calculation and that they've been treated fairly and no different to any other customer in the same circumstances.

I can see LV say Mr W was on a particular product in 2022, but LV then decided to place this in run-off, so the quote Mr W received in 2023 was for a different product. LV say the two products carry their own loss ratio and rating structure and are therefore rated differently. They also say the two products have different rates, criteria and excesses.

I do acknowledge the product offered to Mr W in 2023 was a different product to what he'd taken out the previous year – and I also accept that different products will have their own pricing model and will be based on different rating structures. So, while this does provide an explanation for why the price may have been different between the two products, it doesn't provide me with sufficient information to explain why the price was so different in this case.

LV say they no longer have details of the quote offered to Mr W as this wasn't taken up by Mr W. LV say, due to data protection and data storage requirements, in cases where a customer hasn't taken up a quote, they only store quote information for 30 days. I do acknowledge this, but I can see our investigator has provided LV with an opportunity to provide a more detailed explanation for the variance in price between the two products and the factors which were affecting prices around the time they sent Mr W a quote. But I can't see LV have provided this level of detail.

LV say they take into account many factors when calculating a price, and this includes personal details, claims, conviction history, the vehicle and the area where the vehicle is kept. They say their rates are regularly reviewed and they've seen increases in insurance premiums for many of their customers. They say the cost a customer pays for their insurance reflects the costs they pay for claims. They say they use their claims information to understand how often and how much customers are claiming for which is always changing, depending on things like weather, parts costs and availability. They say these factors are outside their control, but they need to ensure they have the money to provide support to all their customers when they need it.

I acknowledge the points made by LV, and I would also add that it's not unusual or uncommon for the factors they've mentioned to impact the price. It's 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. But I haven't been provided with any information or explanation for how this impacted the price and to what extent. And I'm not persuaded this demonstrates the price for the 2023 policy was calculated fairly. I say this because this doesn't provide sufficient information or an explanation for how claims inflation specific rating factors – or any rating factors - have affected the price.

I have carefully considered LV's points about how their system works and the information provided. But, in the circumstances of this case, I'm not persuaded there's sufficient evidence to satisfy me the increase is fair.

I do wish to make it clear I'm not saying there has been an error in the pricing calculation. Instead, the reason I'm upholding Mr W's complaint is, given the significant increase in the price, I would need to see evidence and a clear explanation showing why and how the price increased as it did for Mr W's policy in 2023 – and in this case, this information hasn't been provided in a way which would allow me to reassure Mr W that there's been no error here. So, taking this into account, I understand why Mr W was left frustrated and confused by the price increase – and I think compensation of £100 is fair and reasonable in the circumstances.

### **Putting things right**

I've taken the view that LV haven't provided sufficient information or a clear explanation to demonstrate why and how Mr W's price increased as it did for the policy offered to him in 2023. So LV should pay Mr W £100 compensation for the frustration and confusion caused.

### **My final decision**

My final decision is that I uphold the complaint. Liverpool Victoria Insurance Company Limited must take the steps in accordance with what I've said under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 1 October 2024.

Paviter Dhaddy  
**Ombudsman**