

The complaint

Miss P is unhappy with the service provided by First Central Underwriting Limited when dealing with renewal of his car insurance policy.

What happened

Miss P took out car insurance with First Central. The facts of Miss P's renewal in August 2023 are well known to both parties. So I haven't repeated them here.

First Central informed Miss P in February 2024 that they would credit £213.86 into her account representing the back-dated premium. Miss P was later informed £6.24 would be refunded to her. Miss P complained about the pricing information given to her.

First Central responded to Miss P's complaint saying at the time of renewal in August they had correctly included a claim from 2022, and had recorded this as a non-fault claim. First Central said the price paid by Miss P was correct apart from allowing Miss P an extra years no claims discount. First Central said they had adjusted Miss P's no claims discount to six years and this had generated a refund of £6.24. First Central agreed to pay Miss P £50 in recognition of its poor service. In further correspondence First Central agreed to pay an additional £100 to Miss P, bringing total compensation to £150.

Miss P was unhappy with First Central's response, and brought her complaint to the Financial Ombudsman Service.

The investigator asked First Central to provide further information about its underwriting criteria in order to investigate whether the premium charged at renewal in August 2023 was fair, and to establish whether any additional refund was due to Miss P. First Central didn't provide this evidence. So the investigator reached a view based on the evidence available.

The investigator recommended First Central refund £213.86 (£7.35 has already been refunded, leaving £206.51 to be paid), add interest at 8% simple on this amount from the date it should've been refunded until the date of payment, and pay £150 compensation agreed in the final response letters (if not already paid). First Central didn't respond to the investigator's findings.

As the complaint couldn't be resolved, it has been passed to me for 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. Although my reasoning is different to the investigator's, I think the investigator's recommendation for putting things right is a fair way to resolve matters. Given First Central's lack of response during our process, I have proceeded to issue a final decision on the case.

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

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 agree 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. Different insurers will have different rating factors and loadings, so it's not unreasonable, and completely understandable, there will be differences in the price of a policy. But that alone, doesn't provide me with sufficient evidence to demonstrate that, in this case, Miss P's price was calculated fairly.

I say this because First Central haven't provided sufficient information or an explanation for how any ratings have affected the price. I accept having a claim recorded on a policy is likely to be a factor which would increase a loading on any claim related factors. But again, I haven't been provided with any information or explanation for how this claim impacted the price and to what extent.

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 this part of Miss P's complaint is, given the significant increase in the price here, I would need to see evidence and a clear explanation showing why and how the price increased as it did for Miss P's renewal – and in this case, this information hasn't been provided in a way which would allow me to reassure Miss P's that there's been no error here. So, taking this into account, I understand why Miss P's has been left frustrated and confused by the price increase – and I think compensation is fair and reasonable in the circumstances.

The investigator recommended First Central refund £213.86 (£7.35 has already been refunded, leaving £206.51 to be paid), add interest at 8% simple on this amount from the date it should've been refunded until the date of payment, and pay £150 compensation agreed in the final response letters (if not already paid). I am minded to agree with this recommendation, bar the interest payment. In line with our approach to complaints of this type, where information hasn't been provided in a way which would allow me to reassure Miss P that there's been no error here, we would usually direct a business to pay compensation. And I'm persuaded the amount of £213.86 is reasonable, and in line with what we'd direct as compensation in the circumstances. So I am minded to direct First Central to pay this amount.

I note First Central had offered Miss P £150 in previous correspondence, in recognition of the confusing information provided about the price of her premium, and whether a refund

was due. I'm persuaded this amount is recognition of the poor service before the complaint was referred to our service, and should still stand. The direction for additional compensation is in recognition of First Central's specific failing in the lack of evidence and a clear explanation showing why and how the price increased as it did for Miss P's' renewal.

So with this in mind, I'm satisfied it has caused Miss P upset and frustration that our service isn't able to reassure her the price was calculated correctly. So, taking into account the specific circumstances of this case, and the impact on Miss P, I think compensation of £213.86 is fair and reasonable in the circumstances.

Putting things right

I've taken the view that First Central Underwriting Limited haven't provided sufficient information or a clear explanation to demonstrate why and how Miss P's price increased as it did for her renewal. So First Central should:

1. Pay Miss P £213.86 compensation for the upset and frustration caused (£7.35 has already been paid, leaving £206.51 to be paid).
2. Pay £150 compensation agreed in the final response letters (if not already paid).

My final decision

First Central Underwriting Limited must follow my directions for putting things right above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 2 October 2024.

Neeta Karelia
Ombudsman