

The complaint

Ms M complains about the price charged by Liverpool Victoria Insurance Company Limited (“LV”) after she made changes to her car insurance policy.

What happened

Ms M made some changes to her policy, but she complained when this led to LV quoting an additional premium. Ms M said she was concerned that, before renewal, her son was on the policy and there was no extra cost. But since correcting his job title, LV had applied an additional premium despite the car’s usage being limited to social, domestic and pleasure and not commuting or business use. Ms M also said she was now retired but the cost hadn’t changed much from when she was working. Ms M said she wasn’t previously charged for adding her son but had now been charged an additional £196.47.

LV responded and explained, in the previous policy year, Ms M’s son’s inclusion on the policy cost at least £57.83 – and the term before that, it was at least £62.97. LV said, given that the base premium had gone up, the cost of adding Ms M’s son would also go up. They also said Ms M’s son’s previous occupation was rated quite a bit lower than his current one, and this led to a larger increase in premium. LV said, insurance is based on risk, and the insurance industry does include occupation as a rating factor and therefore this will affect the price of the policy. LV said they can’t share the specifics of how they calculate premiums and their underwriting criteria because this was company-sensitive information.

Our investigator looked into things for Ms M. She thought LV hadn’t treated Ms M unfairly in relation to the pricing. Ms M 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 Ms M will be disappointed by this but I’ll explain why I have made this decision.

My role requires me to say how a complaint should be settled quickly and with minimal formality and so I’ll focus on what I consider to be the crux of the complaint and the main areas of dispute. I think it’s important to add, I won’t be commenting on every point made during the complaint process, instead I have taken a broad approach to the overall service provided.

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 Ms M says her son works freelance on temporary contracts - and is therefore not employed. Ms M says that LV explained, even during periods of no contracts and therefore not earning an income, the quote for the additional premium still applies. Ms M feels this is unfair when the car usage doesn't cover business use.

LV have provided me with confidential business sensitive information to explain how Ms M's price increase 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 additional price she was quoted had been calculated correctly and fairly and I've seen no evidence that other LV customers in Ms M's position will have been charged a lower or no additional premium.

As mentioned above, I can't provide specific detail about LV's risk model, but I can see, in their complaint response, they refer to the base premium increasing due to a general rate increase. What LV are saying here is that they've experienced increased costs in settling claims – and this being a factor which has led to the price increase. 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. And the information I've seen does show claims inflation has had an impact on Ms M's price.

I've seen how Ms M's policy was rated and the loadings which have led to the price increase. This forms part of LV's pricing model so it applies to all policies. I think that's important here as it demonstrates the pricing model used to calculate Ms M's premium and additional premium was no different to what was used for any other customer in the same circumstances.

I've also looked at the rating factors LV have used to rate and price Ms M's policy and I can't say any of these are unusual or uncommon when rating a motor insurance policy. I acknowledge Ms M feels it's unfair to charge an additional premium for changes made to her son's occupation, particularly as the cover doesn't include commuting or business use. And, I also acknowledge Ms M's concerns about the impact on her price when taking into account her own employment status. 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 charging an additional premium has made an error compared to an insurer offering a lower premium or one where there is no increase at all – but rather, it reflects the different approach they've decided to take to risk. This similarly applies to rating factors and loadings. It's for an insurer to decide what rating factors and loadings to apply to a policy. In this case, I've seen how LV rated occupation as well as their reasons for doing so – and I can't say they've acted unreasonably or treated Ms M unfairly.

I can see Ms M says LV didn't previously charge an additional premium when adding her son to the policy, but LV have provided Ms M with information showing a part of the overall risk premium, for previous policies, did account for Ms M's son being on the policy.

I do appreciate Ms M wanted LV to provide full transparency of the price 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 LV have acted unreasonably in not providing Ms M with details of the specific ratings and loadings used to calculate the price increase.

Ms M has raised additional points about unfair contract terms and lack of informed consent relating to the price increase. She raises the point about fee increases being brought to a customer's attention and LV not providing details of each reason which could lead to a price increase. I have carefully considered all points raised by Ms M, but I'm not persuaded LV have acted unfairly here.

Firstly, I don't believe it would be reasonable to expect an insurer to list all reasons which could lead to a price increase. Insurers generally rate a policy based on a significant number of rating factors – and the risk rating for these constantly fluctuate. So, at times, some of these could lead to the presentation of risk being higher or lower. So it would be difficult for an insurer to predict which customer details, when amended, would lead to a price increase. Secondly, the policy terms and conditions do set out what changes a customer would need to let LV know about. This includes details such as changing a car, adding or removing drivers and change in occupation. So, I think it's reasonable to infer from this, these details are important to LV and would likely lead to the policy having to be re-rated.

I understand why Ms M has complained, and I hope she feels reassured that I've checked the pricing information from LV. But I can't say they've made a mistake or treated Ms M unfairly. I wish to reassure Ms M 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 Ms M to accept or reject my decision before 19 December 2024.

Paviter Dhaddy
Ombudsman