

## The complaint

Mr C complains about the increase in premium for his motor insurance policy with Advantage Insurance Company Limited (Advantage).

References to Advantage in this decision include their agents.

This decision covers Mr C's complaint to this Service about the increase in his premium when his motor insurance policy renewed in March 2024. It doesn't cover his complaint about Advantage's handling of a claim he made following an accident, as it wasn't an eligible complaint that could be considered by this Service.

## What happened

In March 2024 Mr C's motor insurance policy with Advantage came up for renewal. The renewal quote premium was £311.64, with the renewal letter saying he paid £182.86 the previous year (an increase of £128.78, some 70%). Between the two renewals Mr C made a claim for an accident in January 2024, which Advantage deemed to be non-fault, recovering the costs of the claim from the third party's insurer.

Mr C was unhappy at the significant increase in his premium, so he contacted Advantage. As a result a revised renewal letter was issued, with a revised premium of £281.81 (an increase of £98.95, some 54%). Advantage said a non-fault claim would be a rating factor for any policy as an incident, regardless of fault, could affect premiums (though a non-fault claim had a lower risk factor than a fault claim).

Mr C wasn't happy with Advantage's response, so he complained.

Advantage didn't uphold the complaint. In their final response, they referred to the effect of a non-fault claim on premiums and said they'd correctly classified the claim as non-fault. Their systems automatically generated a renewal premium based on factors including any claims made during the previous policy year, whether non-fault or fault, and they had no control over the premium generated.

Mr C then complained to this Service, unhappy at Advantage's response.

Our investigator concluded Advantage hadn't acted fairly. When asking Advantage to provide pricing information to support the increase in Mr C's premium, Advantage said they no longer evidenced risk ratings in the way they had previously. They were now built into their systems and generated renewal premiums automatically, without any manual intervention.

The investigator asked Advantage for underwriting or pricing criteria to show what data fed their systems to produce premium figures. Advantage hadn't provided any information by the deadline requested, so she concluded there wasn't any evidence to show the increase in Mr C's premium was in line with Advantage's pricing criteria. To put things right, she thought Advantage should refund the difference in premiums between 2023 and 2024.

Advantage provided further information on the data used to calculate the 2022, 2023 and 2024 premiums, which they said supported the increase in his premium for 2024. The

investigator asked for clarification of the data, but Advantage didn't respond to the request. So, the complaint has been passed to me to consider.

In my findings, I concluded Advantage didn't need to do anything in settlement of the complaint. I was satisfied the detailed information provided by Advantage about the premiums paid by Mr C reflected the systems used by Advantage to automatically generate renewal premiums. So, I was satisfied Advantage treated Mr C as they would other consumers in similar circumstances.

I also noted the 2024 renewal invitation referred to the claim made by Mr C and the rising cost of claims faced by the insurance industry, which was consistent with coverage of the increase in motor insurance over the past year.

Because I reached different conclusions to those of the investigator, I issued a provisional decision to give both parties the opportunity to consider matters further. This is set out below.

*What I've provisionally decided – and why*

*I've considered the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.*

*My role here is to decide whether Advantage have acted fairly towards Mr C.*

*Having reviewed the evidence I don't think Advantage need to do anything in settlement of this complaint. I know this is likely to come as a disappointment to Mr C, but I hope my findings go some way in explaining why I've reached this decision. I've focused my comments on what I think is relevant. If I haven't commented on any specific point it's because I don't believe it's affected what I think is the right outcome.*

*A customer may expect a simple explanation for a price increase like Mr C experienced. But for an insurer, there may be many of variables they consider when setting a premium – including its own commercial requirements. And we generally take the view that, providing they treat people fairly - that is they treat customers with similar circumstances in the same way - insurers are entitled to charge what they feel they need to in order to cover a risk. I think it important to mention 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.*

*Advantage have provided detailed information from their systems about the premiums for 2022, 2023 and 2024. Looking at the data, it doesn't set out precise reasons for the increase in premiums. But I'm satisfied the data reflects the systems used by Advantage to automatically generate renewal premiums and Advantage have confirmed there were no manual interventions that would have affected the renewal premium. So, I'm satisfied Advantage have treated Mr C as they would other consumers with similar circumstances*

*I've then looked at other evidence and information. The 2024 renewal invitation includes a statement with the premiums for 2023 and 2024:*

***"Why your price has gone up***

*During the past year a claim was made on your policy, which may have affected your renewal price. There are also lots of other reasons why your price may have gone up, but it's mainly because of the rising cost of claims the insurance industry now faces.*

*It you'd like to know more about what could be affecting your renewal price, visit [website address]."*

*In addition, I can see Advantage said in their renewal invitation that a lot can change in a year and Mr C should check the cover still suited his needs and maybe think about shopping around. 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, I think Advantage have also acted in line with requirements set out under ICOBS.*

*The statement is also consistent with public coverage of the increase in the cost of motor insurance over the past year or so. For example, the Association of British Insurers (ABI) published an article in January 2024<sup>1</sup> stating costs were up 12% on the previous quarter (Q4 versus Q3 2023), driven by record increases to insurers to pay claims. The average premium for motor insurance between 1 October 2023 and 31 December 2023 (Q4) was £627 and the average premium was 34% higher compared to Q4 2022 (when it was £470). The largest single factor in increased costs was repair costs, which increased significantly.*

*I also think the non-fault claim was a factor in the increase, as indicated in the renewal invitation, in addition to the general increases in premiums. Mr C had protected No Claims Discount (NCD) under his policy, but that means the level of NCD applied to the starting premium won't have reduced between 2023 and 2024, despite the non-fault claim. But it doesn't mean the starting premium itself won't have been affected (increased) by a claim being made, even a non-fault claim. All things considered, I'm not minded to ask Advantage to do anything in settlement of Mr C's complaint.*

*My provisional decision*

*For the reasons set out above, it's my provisional decision not to uphold Mr C's complaint. Neither Mr C or Advantage responded to the provisional decision by the date requested.*

### **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.

My role here is to decide whether Advantage acted fairly towards Mr C.

As neither Mr C or Advantage responded to the provisional decision, then my final decision remains the same as my provisional decision, for the reasons set out in my provisional decision.

### **My final decision**

For the reasons set out above, it's my final decision not to uphold Mr C's complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 13 January 2025.

Paul King  
**Ombudsman**

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<sup>1</sup> <https://www.abi.org.uk/news/news-articles/2024/1/motor-insurance-premiums-continue-to-rise-as-insurers-battle-costs/>