

## **complaint**

Mr W complains that Saga Services Limited unfairly increased the amount of his car insurance.

## **background**

Mr W bought his car insurance policy through Saga. When his policy came up for renewal he wasn't happy that the price had increased by around 20%. And when he reported the theft of a motorcycle he was charged even more. He feels that Saga should refund him the additional amount it charged.

Mr W's premium rose initially by around £40 from the previous year. Saga explained that in the previous year Mr W benefitted from a £20 discount but this didn't apply at renewal. And the approach to pricing and risk is regularly reviewed and this had led to an increase.

In addition, the motorcycle theft claim although on a separate policy, was a motor claim that underwriters take into account and factor into the price it requires for the risks presented. In short, the initial renewal price was based on Mr W having no claims but the reviewed price took into account the theft claim. Saga informed Mr W that it could offer him a £37 loyalty discount.

Mr W thinks it's unfair that his motorcycle theft claim has an impact on the price he pays for car insurance.

Our adjudicator explained that Saga had shared commercially sensitive information with us that explained the price increase. She said that the theft claim was marked as 'fault' as the insurer hadn't been able to recover the amount of money it had paid out in relation to the claim. And it wasn't unusual for insurers to charge more where a fault claim exists. The adjudicator continued that Saga had shown her that the price increase was in line with the pricing criteria that apply to all policyholders with comparable circumstances to Mr W. And as Saga's pricing information was commercially sensitive she couldn't disclose it to Mr W. And she was satisfied that Saga had acted fairly by taking into account the theft claim even though it was under a separate policy.

Mr W disagreed and asked for an ombudsman. In summary he said;

- Businesses charge what they can get away with and more interested in profit,
- He's paid a surcharge and that's not morally right or fair,
- The pricing criteria must be underhand else it would be disclosed,

## **my findings**

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

I don't make decisions about broader industry issues as a whole. The Financial Conduct Authority is the industry regulator and its role is to look at industry wide practices in the context of the rules and guidance it sets for the industry. My role is to look at the issues affecting Mr W when he bought his policy.

In agreeing to offer motor insurance to Mr W for another year at renewal, Saga gave details of the premium. This was the cost of not just the risk he presented but included profit too. Commercial entities such as Saga are in business to provide a service but also to make money. And there's nothing wrong with that. If they're not profitable they're unlikely to exist too long. But the issue here is whether Saga treated Mr W fairly and gave him sufficient information about the price such that he could make an informed decision.

Saga considered a number of factors about Mr W and the risk he presented in coming to a price. Factors such as the vehicle, experience, address, previous claims or accidents and other matters all get calculated to establish that price. And, as I've said already, Saga also takes into account issues beyond Mr W's control such as profit, claim costs and claim frequencies. These are common factors and issues that businesses across the industry use in reaching a price.

At renewal Mr W told Saga about a theft of his motorcycle that was insured under another policy. Like every other motor insurance policy I've seen Saga wanted to know about any claims, accidents or incidents Mr W had had in the previous years. Saga wanted to know about the last five and Mr W correctly gave details of the theft. This notification meant Mr W's policy had one notifiable claim as opposed to none. And I've seen information from Saga that demonstrates the impact where a claim is added to the policy. This is applied the same way to all policyholders in similar circumstances to Mr W and so I'm satisfied he was treated fairly. Saga gave Mr W details of his premium in advance of renewal and then updated that price on learning new information from Mr W. That's how I'd expect Saga to deal with the renewal of the policy.

There are two brief points to make before finishing. Businesses in the insurance industry often use bespoke software and criteria in assessing an insured's risk and therefore the price it will charge, to include the profit it seeks to make. Insurance is a competitive market and so pricing algorithms and the way policies are priced are commercially sensitive. Businesses do not want to risk competitors getting insight into their pricing practice such that they might lose a competitive advantage. And so I don't think it's unfair that Saga wishes to keep its pricing information confidential and so isn't willing to allow Mr W to see it.

The last point concerns Mr W's motorcycle theft and the fact Saga took that into account when offering a renewal price for his car insurance policy. Motorcycles and cars are motor vehicles and both require insurance to be legally used on a road. And so in this case I don't think it's unreasonable for Saga to factor in Mr W's claim that related to another motor vehicle even though it was insured under a different motor insurance policy.

### **my final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 16 April 2018.

Sean Hamilton  
**ombudsman**