

02 April 2024

Final report by the Complaints Commissioner

Complaint number 202300533

The complaint

1. On 17 October 2023, you submitted a complaint about the FCA to my office.

Your complaint to the FCA

2. In its letter the FCA described your complaint to it as follows:

“You are unhappy that insurance companies do not inform consumers by way of their insurance documents if their full postcode puts them in either a low, medium, or high-risk area. You feel that the FCA has created a problem by not issuing clear instructions to insurance companies that they must use a customer’s full postcode”.

What the regulator decided

3. The FCA concluded it could not investigate your complaint under the Complaints Scheme. The FCA said:

“ This is because the Complaints Scheme covers the investigation of complaints that arise in connection with the exercise of, or failure to exercise, any of the FCA’s relevant functions. The ‘relevant functions’ of the FCA are defined in the Complaints Scheme and Part 6 of the Financial Services Act 2012, and broadly speaking cover the FCA’s regulatory functions that arise under the Financial Services and Markets Act 2000, or such other functions as may be ordered by HM Treasury. Expressly excluded from the definition of ‘relevant functions’ is anything arising from the FCA’s exercise of legislative functions or standards review functions. ‘Legislative functions’ of the FCA include the making of rules, and the issuing of general guidance. Your complaint relates to lack of

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rules/guidance on insurance firms using customer's full postcode to determine pricing, which is an exercise of our legislative functions. Therefore, your complaint is excluded from being considered under the Complaints Scheme, as confirmed in paragraph 3.4(c) of the Scheme".

Why you are unhappy with the regulator's decision

4. You have described your complaint to me as follows:

"My complaint is the FCA's refusal to offer Clear and Concise instructions to insurance companies resulting in Consumers paying for high insurance premiums...FCA should instruct insurance companies that they must use a Full Postcode."

My analysis

5. I have looked at all of the information that has been provided to me. In its decision letter the FCA informed you that it could not investigate your complaint because it was excluded under the Complaints Scheme, quoting paragraph [3.4 \(c\)](#) of the Scheme.
6. Under paragraph [3.4 \(c\)](#) of the Complaint Scheme complaints in relation to the performance of the regulators' legislative functions as defined in the 2012 Act are excluded.
7. I've investigated this and I agree with the FCA that your complaint is excluded under the Scheme. Complaints about the FCA's making of rules or guidance, or suggesting the regulators have inadequate rules or should have specific rules, are excluded from the Scheme.
8. However, although the FCA could not investigate your complaint I can see from the FCA case file that whilst looking into your complaint, the FCA liaised with the relevant area in order to investigate your concerns. It provided specific information with regards firms using postcodes as a means of determining the risk factor of a customer's insurance. The FCA said:

"It is our understanding that insurers review a number of risk factors to determine the likelihood of a customer making a claim. Postcodes are another method insurers use to identify the risks the insurance applicant faces as an owner, and driver. Postcodes can provide key information to

insurers such as the number of accidents, number of claims made and crime rates in the customer's local area.

Our rules do not place an obligation on insurers to use a full postcode to determine a customer's risk profile when assessing insurance applications. Similarly, our rules do not compel insurers to inform customers, by way of insurance document, the risk profile of their customer based on their residential postcode.

Our pricing rules are not intended to determine how firms set the risk price for home and motor insurance; they are designed to ensure that firms do not charge different prices to renewal customers with the same risk profile. However, while pricing is a commercial decision for firms, they need to set a price that is fair and offers value for customers.

9. The above information also hyperlinked to the FCA's webpage setting out its policy statement and finalised guidance regarding PS22/9: A new Consumer Duty [PS22/9: A new Consumer Duty | FCA](#) I think providing this in the Decision Letter was helpful and provided you with meaningful information.
10. You first complained to me on 17 October 2023 and during the course of your contact with my office you provided us with further information on 19 January 2024 regarding your ongoing concerns. You explained that your insurance renewal quote had increased by almost £500 to £912. You asked your broker to check with your insurer if you had been placed in a Low, Medium, or High risk area with your postcode. The insurer stated that being in a Low, Medium, or High risk area made no difference to your quote and it remained the same at £912. You explained that this same insurer last year only decreased your premium and reimbursed you £100 once you had complained to them.
11. You explained to the insurer that during your own research, you discovered by using only the first few digits of your postcode you were in fact in a high risk area. However, if the insurance had used your full postcode you were in a low risk area. The insurer eventually responded to you informing you that they would be reimbursing you with the £100 and that you had since been placed in a low risk area.

12. It is concerning that only when the insurer inputted your full postcode did your renewal price decrease. This means it is possible that other consumers who live in the same postcode as yourself, paid a higher renewal price.
13. It appears the risk profile of a consumer changes dependant on how many postcode digits is inputted into the system by the insurer. I note the FCA have stated that its rules do not place an obligation on insurers to use a full postcode to determine a customer's risk profile when assessing insurance applications. Similarly, it states the rules do not compel insurers to inform customers, by way of insurance document, the risk profile of their customer based on their residential postcode. However, this case has highlighted concerns that there is a potential inconsistency in the insurance industry with renewal quotes. In my preliminary report I recommended the FCA considered the extent to which this may have been an issue and whether any action was necessary to ensure fair treatment for customers. The FCA responded to me on this point. The FCA's response to my recommendation is as follows,

“We can consider areas where consumers may not be receiving outcomes in line with the consumer duty or other relevant FCA rules. However, when deciding whether to investigate or intervene, we prioritise according to a number of factors including whether there is a broad underlying issue around appropriate treatment, and also the level of consumer harm. Consumer harm can include consideration of consumer characteristics and available options (e.g. whether the consumers are vulnerable and, in appropriate cases, whether they are unable to shop around or have chosen not to do so). In this case, we have not identified this issue as being one that is happening widely or leading to significant poor outcomes. By contrast, we have intervened where we have identified harm in other aspects of insurers' pricing practices; in particular the systematic price-walking of long-standing customers. Individual cases are best addressed to the Financial Ombudsman Service who are resourced to consider individual cases once a person has exhausted the complaints procedures of an authorised firm.”

14. I infer from the FCA's response that they have not had any further wide scale concerns brought to their attention, which would justify an investigation. As such, I conclude from this that there is no wide scale issue present.
15. I hope my explanation and references in my report provides you with some helpful reassurance that the decision the FCA made in your case was the right decision to not investigate.

My decision

16. I agree with the FCA that your complaint is excluded.
17. I recommended that the FCA take some additional actions which it did in response to my preliminary report.

Rachel Kent
Complaints Commissioner
02 April 2024